THE MOST POWERFUL WOMEN IN INDIAN BUSINESS 54

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September 15, 2013 ₹40

INDIA IMPOTENT

Stop-start reforms and stuttering monetary policy render the UPA government and the RBI helpless as the economy starts to keel over

RASIA: THE
OPLE'S AIRLINE 24

NIYAMGIRI
REJECTS VEDANTA 30

HBR: MAKING STAR TEAMS
OUT OF STAR PLAYERS 106

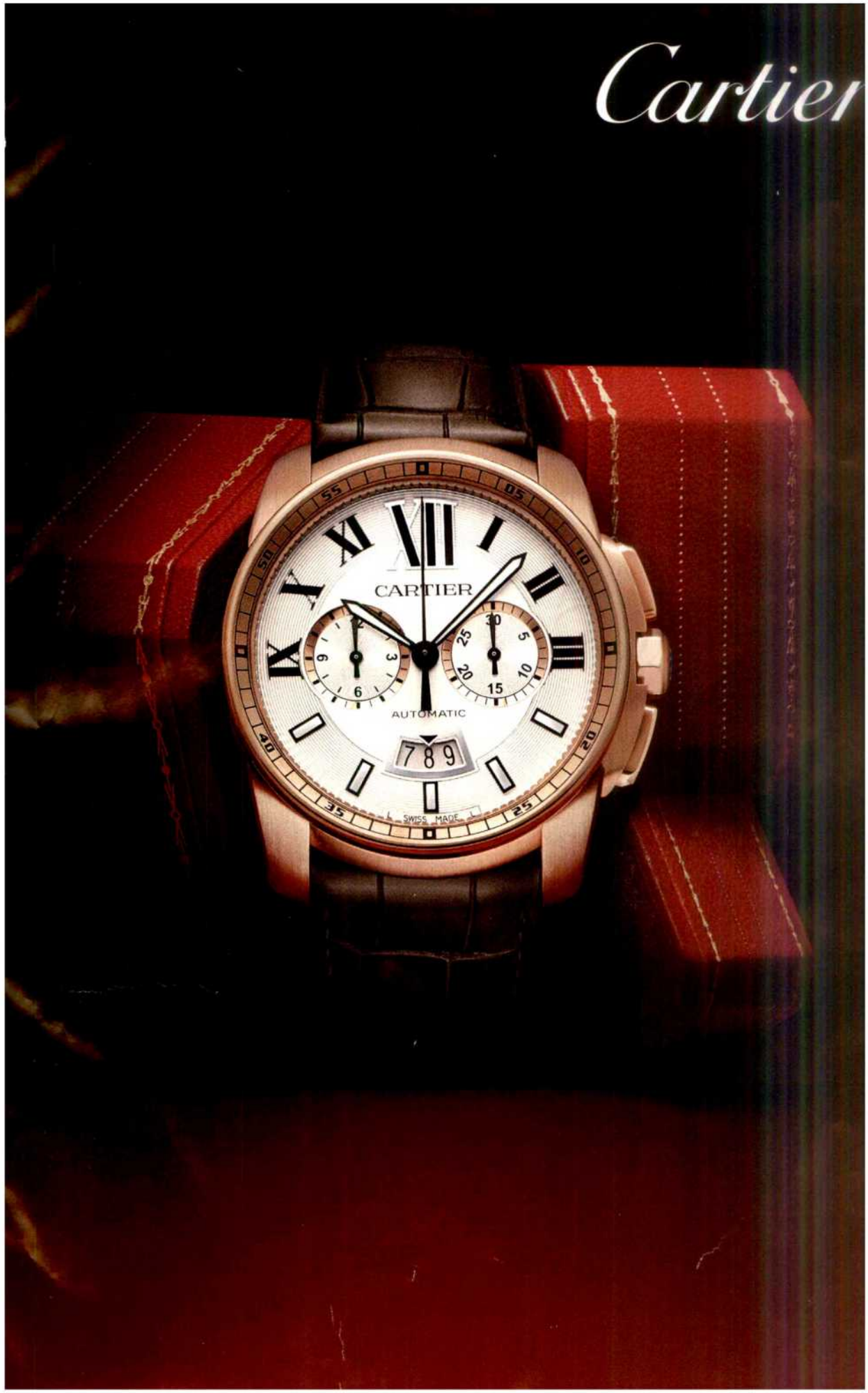
CALIBRE DE CARTIER

CHRONOGRAPH MOVEMENT

THE ORIGINS OF THE NEW AUTOMATIC ANCRE CHRONOGRAPH MOVEMENT WAS CONCEIVED, DEVELOPED AND ASSEMBLED BY CARTIER MANUFACTURERS. BECAUSE ADDITIONAL MODIFICATIONS TO THIS MOVEMENT ARE POSSIBLE AT A LATER DATE, IT IS NOT NECESSARY TO DISASSEMBLE ALL THE COMPONENTS. ONLY THE VERTICAL CLUTCH AND REVERSING WHEEL NEED BE REMOVED. THE MOVEMENT FEATURES A SHOCK ABSORBER FOR THE BALANCE STAFF, AND A SPECIAL HARDENING PROCESS FOR THE MAIN SPRING.

THE HIGH GRADE OF THIS CALIBRE MECHANICAL MANUFACTURE CHRONOGRAPH MOVEMENT, WITH ITS WINDING, REGULATING AND SETTING MECHANISMS, AS WELL AS THE CHRONOGRAPH MECHANISM, IS DESIGNED FOR WRISTLET WATCHES WITH A DIAMETER OF 30 MM. THE MOVEMENT IS ADJUSTED TO FIVE POSITIONS, AND HAS BEEN CHRONOMETER TESTED.

Cartier



From the Editor

They say nothing sharpens our minds as much as high danger or a threat to our survival. We are prepared to stand and fight when we are cornered. Twenty-two years ago, when we were staring into the abyss, we pulled a reformist rabbit out of our socialist hat. But it took just about five years of undreamt-of growth in the first decade of this century to turn us complacent, for the hubris to swell our chests and clog our grey cells. And now we talk about "sub-five per cent growth" and ask ourselves if we have hit the middle-income trap, and why India has suddenly become the runt in the BRIC litter.

The "dog days of summer" in July and August are commonly identified with stagnation. No better term can be found for our situation, with our politicians in denial about its gravity. The government's tone has turned from confident to querulous, even defensive, as the crisis deepened and the rupee went into a tailspin. On May 23 [$/₹55.72] after US Federal Reserve Chairman Ben Bernanke signalled a "tapering" of the third round of Quantitative Easing, Finance Minister P. Chidambaram hastened to assure the markets that QE in the US, Japan and Europe had "no relevance at all" for India. He said "foreign inflows are copious". On June 11 [$/₹58.34] Chief Economic Adviser Raghuram Rajan reacted to the rupee's sharp drop over the previous six weeks by talking about good portfolio inflows and ended by saying "The fundamentals for India are improving, even while many parts of the world are still stuck in recessionary conditions." On July 8 [$/₹60.70] Chidambaram left for a four-day US trip, during which he met lawmakers and CEOs and promised "a transparent, fair and non-discriminatory investment environment for foreign investors seeking to do business in India". On July 30 Rajan reacted to the holding of interest rates by the Reserve Bank of India with soothing words on how everybody was on the same wavelength and added "once the rupee is stabilised, the policymakers will have room for more growth-friendly measures". The following day [$/₹60.86] Chidambaram marked a year in his job with a press conference where he painted a generally bright picture but admitted that businessmen were worried about stalled projects and added that the government had cleared 157 projects and would ensure fuel supply agreements for 20 grounded power projects with a generating capacity of 23,190 MW by August 31. "I think it is a truism that it is only domestic investment that will bring in its wake foreign investment," he said.

Six days later [$/₹60.79] Rajan was appointed the new RBI governor – a significant move from advisor to policymaker and presumably even more on Chidambaram's wavelength than Duvvuri Subbarao, who took office in 2008 just as the Lehman Brothers collapse heralded the US sub-prime crisis and who raised or lowered India's interest rates no fewer than 23 times during his tenure, the most by any RBI governor. On August 12 [$/₹61.13] Chidambaram assured parliament the current account deficit would be contained at $70 billion in 2013/14 "while the inflows will increase to a level that will be sufficient to finance the CAD". Yet, just two days later, the Reserve Bank of India announced several steps that sounded and smelled like capital controls – limits on remittances by individuals and investments overseas by Indian companies [$/₹61.28]. The slide continued. On August 22 [$/₹64.55] Chidambaram was urging markets to calm down. The rupee was undervalued; "Stronger growth will... alleviate many of the challenges that we face. Therefore, there is no cause for the panic that seems to have gripped the currency markets and that is feeding into other markets," he said. All this flailing around, and a 15.3 per cent depreciation of the rupee over a three-month period. Senior Editor Anand Adhikari and Associate Editor Shweta Punj pick through the chicken's entrails in an analysis starting on page 38.

The gloom is offset this fortnight by our tenth Most Powerful Women in Indian Business list. This year three more women business leaders step into the elite MPW Hall of Fame; even more cheer comes from the 16 new entrants into our listing. Read these uplifting stories, curated by Special Correspondent Sarika Malhotra, in our special package from page 54.

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Re: Letters to the Editor

Business of Luxury

Thanks to *Business Today* for creating awareness of the competition even in the luxury segment (*Money Can Buy You Luxe*, September 1). By bringing out such an issue, *BT* has brought sharp focus on the business of luxury. With new rules of doing business having arisen, people with even small amounts of capital now want to spend more and more. Though luxury is not new to India, it is being redefined by those whose wealth has grown in the age of liberalisation. The wheels of fortune are turning fast.

Akhilesh Kumar Sah, *Faizabad*

Untimely

It was nice to see *Business Today* (September 1) in "luxury" mode. However, I feel this was not the right time to bring out an issue on luxury, considering the nation has entered a phase of uncontrolled economic decline. Few can afford the brands you highlighted, but I suppose there is no harm reading and dreaming of luxuries without actually experiencing them. So it was a pleasure to go through some of the articles, especially the ones on high-end watches, luxury foods, sport cars, etc. Reading at least does not make a hole in one's pocket.

Abhinav P., *New Delhi*

Spreading Education

Your report *A Cloudburst in the Classroom* (August 18) was interesting. The cloud certainly offers an opportunity to spread education to interior parts of the country. But in India we still do not have fibre optics at many places. There are also locations where fibre optic cables cannot be laid as they are disturbed areas. The only alternative is to fix the satellite towers locally. But these, too, do not work efficiently, which results in slow speed or poor connectivity at times.

Debasis Debnath, *Ranchi*

Electrical Impulse

The case study on Havells India (*Darkness to Light*, August 18) highlights how the company passed through a difficult phase without giving up. It dared to look beyond the horizon. Havells, though went through a rough phases, but has done remarkably well to assimilate a larger company – Sylvania into its fold. Quality management, in-depth research and perseverance bailed it out. Hopefully, it will have well-lit days in the years ahead.

Devendra Madhesia, *Gorakhpur*

Correction

The report *Golfing in Paradise* (August 18, Page 96) mentions Rohit Jhawar's designation incorrectly. He is Director of Usha Fabcasts.

We regret the error.

Send all your comments to editor.bt@intoday.com

www.facebook.com/BusinessToday

Maruti Suzuki launches compact car Stingray
It is not at all convincing. The boxy structure just pours out and the front side parts look like a box. - **Ashis Prasad**

Race begins for Chief Economic Adviser's post
What is the use of the post? Anyway the rupee will continue to fall and the economy will be in deep trouble. - **Karthik Ganapathy**

Tata Steel Q1 net profit jumps 90.51 per cent to ₹1,139 crore
Brand TATA... man of his words. - **Amitrishi Tiwari**

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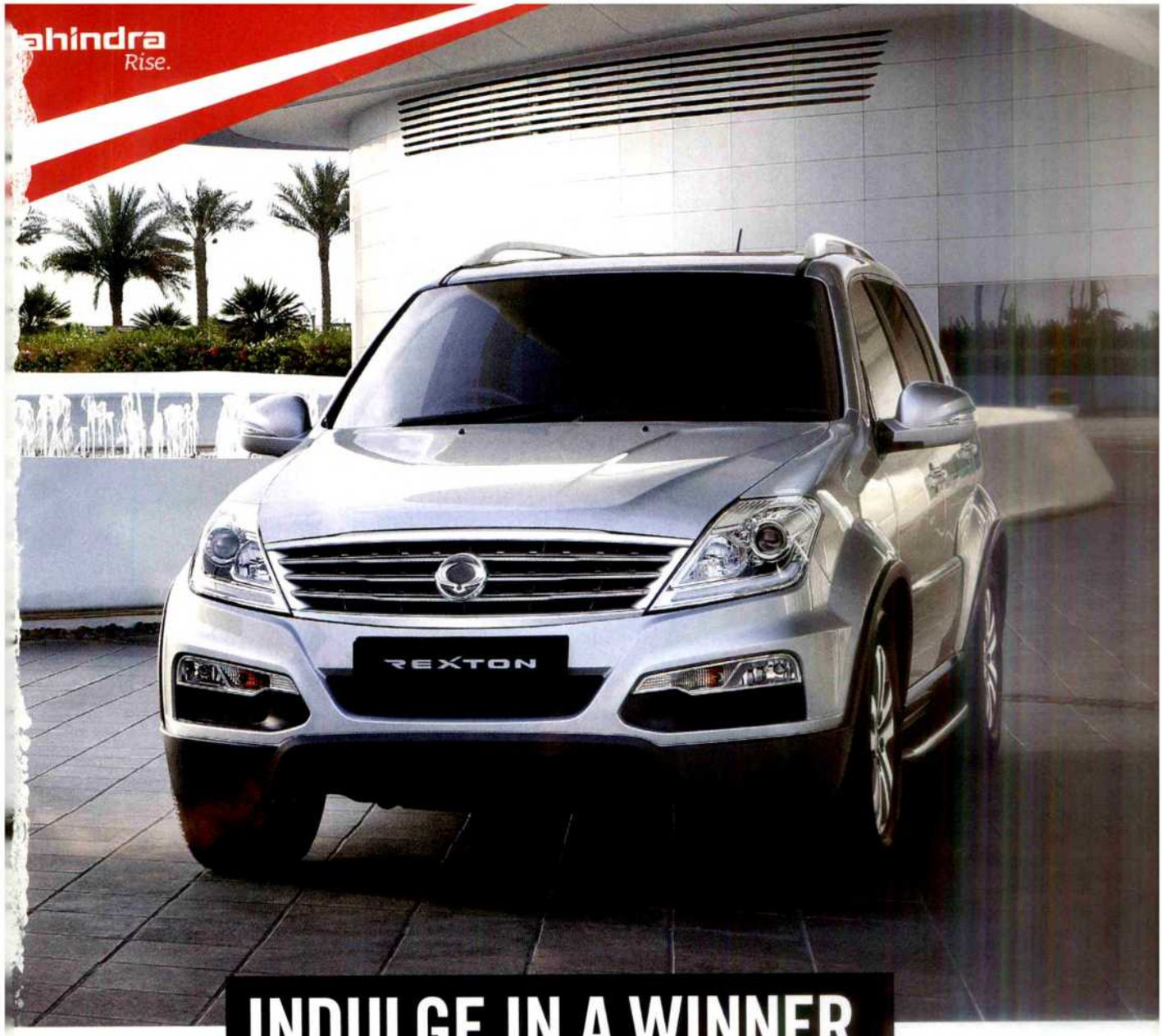

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INTERFACE 361348

CONTENTS

COVER BY ANAND SINHA
PHOTOGRAPH BY VIVAN MEHRA

SEPTEMBER/15/2013
VOLUME 22/NUMBER 19

COVER FEATURE

38 **An Economy in Tatters**

Sinking equity and currency markets show a braking economy. It may be years before it recovers

THE MOST POWERFUL WOMEN IN INDIAN BUSINESS

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ONLINE

The Most Powerful Women in Indian Business

Business Today's 10th annual listing of the top 30, with longer versions of the reports in the print edition. **Plus** video interviews with some of the women.
businesstoday.in/mpw-2013

An Economy in Seizure

The economic crisis has deepened and the rupee has gone into a tailspin. What next?
businesstoday.in/economy-crisis

PERSPECTIVE

Downgrade Threat

Will credit rating agencies downgrade India in the wake of the current crisis, wonders **Anand Adhikari.**
businesstoday.in/economy-downgrade

Vietnam Lessons

The recent big data summit in Vietnam offered valuable insights, says **Nandagopal Rajan,** who attended it.
businesstoday.in/bigdatasummit2013

Forgotten corner

Development has yet to reach Niyamgiri hills in Orissa where Vedanta wants to mine bauxite, finds **Arunima Mishra.**
businesstoday.in/development-niyamgiri

BLOG

Digital Wallet

Taslima Khan on HapPay, which has developed a digital wallet for making small payments where usually cash is the only option.
businesstoday.in/startuptoday

CONTENTS

UPFRONT

10 | Quick takes on major events

FOCUS

12 | In a Spot
The payment crisis at the National Spot Exchange has dealt a body blow to Jignesh Shah's business empire

16 | Graphiti:
The Crumbling BRIC

FEATURES

24 | An Airline for the People
Set to enter the Indian aviation market, AirAsia will target the large pool of people who have never flown before, offering very low fares

30 | Rule of Thumb
Tribals in Orissa's Niyamgiri hills reject Vedanta's bauxite mining project in a landmark referendum

100 | Money in the Message
Messaging apps are prepping for monetisation by beefing up their user base

106 | *HBR* Exclusive:
Making Star Teams Out of Star Players

BT EVENT
110 | Battling Bangalore's Bugs
A gathering of CEOs discusses ways to restore the IT hub's slipping halo

LBNL

114 | Smelling the Coffee
Three start-ups now cater to the connoisseur seeking freshly roasted and ground coffee

RIGHT CLICK
121 | Sold on Facebook
Small businesses can use the social networking site to enormous advantage

BOOKEND
123 | Feudal Patronage in New Garb
A detailed analysis of MPLADS, the scheme which disburses funds to MPs for public use

128 | PEOPLEBUSINESS
Snehdeep Aggarwal

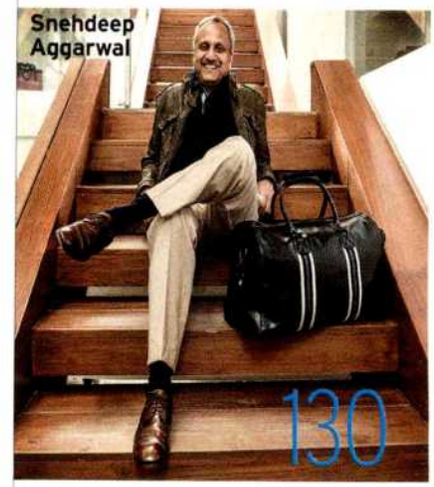
LEADERSPEAK
132 | Rakesh Verma
Managing Director, MapmyIndia

12

114

30

123



130

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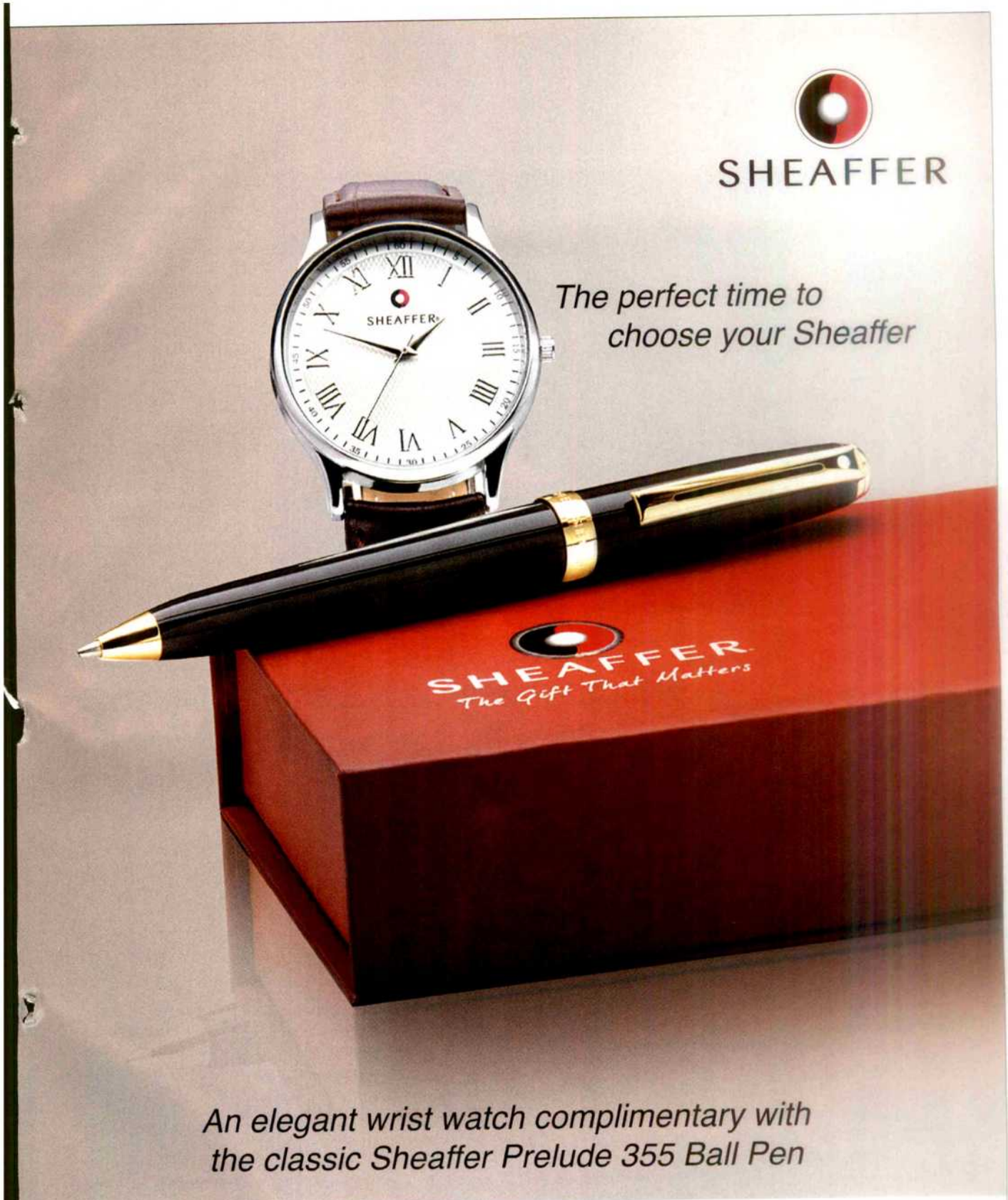

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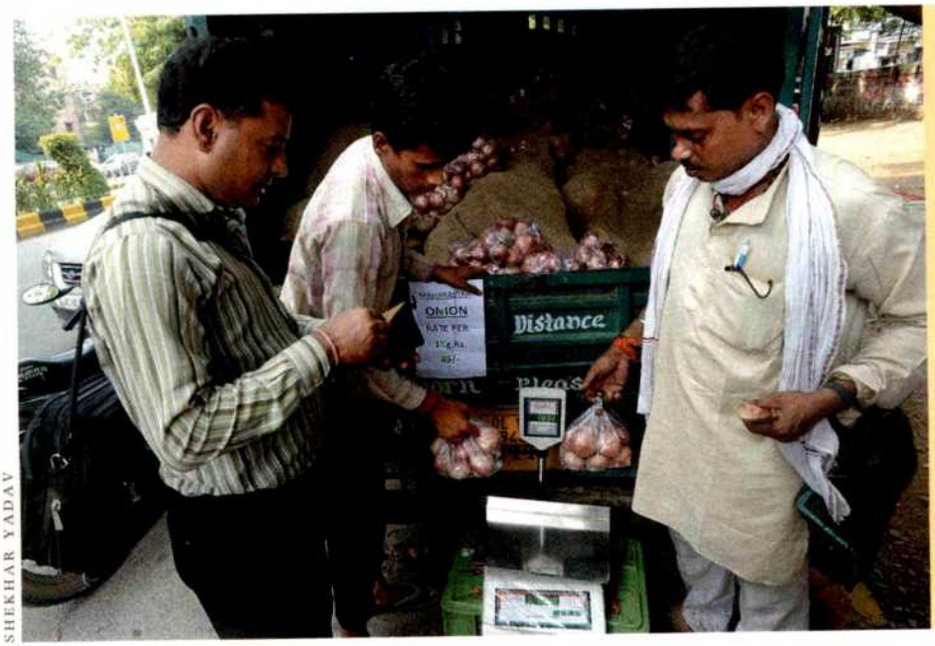

SHEKHAR YADAV

Rare Commodity: Scams and the sinking rupee may be worrying factors, but so are soaring onion prices, and their political fallout for the ruling regime. As onion prices soared to over ₹80 a kg, the government notified the minimum export price at $650 a tonne and moved to import onions. Fresh arrivals are expected to ease the situation in September.

Corporate

The country's 10 leading business houses, including **Reliance Group**, **Vedanta**, **Essar** and **Adani**, have seen their total debt levels soar by 15 per cent to over ₹6 lakh crore during the last fiscal year, while profitability remains under pressure. The cumulative debt of these groups – the other six being **Jaypee**, **GMR**, **GVK**, **JSW**, **Lanco** and **Videocon** – is likely to further increase in the current fiscal year because of the economic scenario, especially rupee depreciation and delays in projects being undertaken by many of them. So says **Credit Suisse** in its annual House of Debt report for India. The collective debt of these 10 groups rose to ₹631,025 crore at the end of last fiscal year, up from ₹547,361 crore a year ago.

CORPORATE SCORECARD

	Total Income			Net Profit		
	Q1 -FY 2014	Q1- FY 2013	YoY growth (%)	Q1 -FY 2014	Q1- FY 2013	YoY growth (%)
SBI	52,502	46,782	12%	4,299	4,875	-12%
ONGC	19,309	20,178	-4%	4,016	6,078	-34%
HPCL	50,990	44,076	16%	(1,460)	(9,249)	-84%
Britannia	1,416	1,229	15%	86	43	100%
DLF	2,314	2,198	5%	181	293	-38%
BPCL	58,736	54,548	8%	723	362	100%
Tata Steel	9,455	8,908	6%	1,356	1,357	0%
IOC	110,467	95,661	15%	(3,093)	22,451	-114%
SAIL	10,268	10,778	-5%	451	696	-35%

Figures in ₹ Crore

Carmakers are rushing to launch new vehicles or upgrade existing models, hoping to catch the elusive customer during the festival season. Among the offerings are: Rolls-Royce's two-door coupe Wraith, Maruti Suzuki's subcompact hatchback Stingray, Volkswagen's crossover version of its Polo hatchback and Nissan's new compact SUV Terrano.

Samsung has overtaken **Nokia** as India's largest mobile phone maker in the last financial year. The South Korean giant had a 31.5 per cent market share compared with 27.2 per cent for its Finnish counterpart, according to a Voice & Data survey. **Micromax** is at Number 3 slot, with a 8.72 per cent market-share in value terms in FY13. The mobile handset industry revenues grew to ₹35,946 crore for the financial year ended March 2013.

BlackBerry Ltd is mulling options that include an outright sale. BlackBerry has bled market share to Apple Inc and phones using Google Inc's Android operating system, and its new BlackBerry 10 smartphones have failed to gain traction with consumers. BlackBerry's fate may involve the Canadian government, which vets foreign takeovers of domestic companies.

Economy

Moody's has reiterated its stable outlook on India's Baa3 sovereign rating, the lowest investment grade level. It said it would continue to assess the country's foreign exchange reserves adequacy. The ratings agency said India has adequate reserves for near-term balance of payments.

Coal Minister Sriprakash Jaiswal has conceded that some crucial files pertaining to the alleged irregularities in allocation of captive coal

blocks between 1993 and 2004 have gone missing from the records. The CBI is pursuing the matter with the ministry. The disappearance has the Opposition snapping at the heels of the UPA regime.

The much awaited launch of **GSLV-D5, ISRO's** geo-synchronous satellite launch vehicle, was aborted an hour and 14 minutes before lift-off. The reason: detection of a fuel leak in the launch vehicle's second stage, even as the indigenous cryogenic engine was being fuelled. ISRO has been working hard to succeed as four of its previous seven (and two of the last three) GSLV launches have been failures.

₹30,000 cr

The amount telecom operators, including BSNL and Bharti Airtel, owe the government as outstanding spectrum charges. The dues of GSM players stood at ₹25,748.91 crore, while the CDMA operators owe ₹4,409.14 crore as spectrum charges.

34%

Dip in Corporate India's merger and acquisition deal value in July, compared to the corresponding period last year, according to Grant Thornton.

125

The number of embezzlement cases by companies reported since 2009. The new Companies Bill provides for jail term and fines for offenders.

Markets

In the days to come, retail customers of home, auto and consumer loans will have to pay more as interest rates are expected to rise sooner rather than later. The benchmark 10-year yield on government securities (G-secs) has crossed nine per cent per annum, a five-year high and the highest in the post-Lehman era. This benchmark rate is the highest risk-free rate in India, and is seen as the benchmark rate for banks and other lenders for setting their lending rates for customers.

The **Reserve Bank of India** has simplified rules for investment in shares and debentures of Indian companies listed on a local exchange by non-resident Indians.

Coming Up

- The government is planning to set up 25 branches of the proposed public sector Bharatiya Mahila Bank, India's first all-women bank, by the end of this financial year. The first six branches are likely to come up at Mumbai, Delhi, Kolkata, Chennai, Indore and Guwahati by October 15.

- Apple CEO Tim Cook is planning the release of two new phones on September 10, including a much-anticipated cheaper iPhone, dubbed the iPhone 5C. This first lower-end version is expected to include fingerprint-detecting technology.

FOCUS

16 The Crumbling BRIC
18 Super Budget Phone
20 The CSR Debate

IN A SPOT

The payment crisis at the National Spot Exchange may have dealt a body blow to Jignesh Shah's business empire.

By **MAHESH NAYAK**

RAJ VERMA

₹5,500 cr
The amount the NSEL owed investors when it halted trading

At 11 pm on July 31, 2013, just a couple of hours after the National Spot Exchange (NSEL) announced its decision to suspend trading in all its one-day forward contracts, some 80 brokers trooped into FT Tower in Mumbai, which houses the offices of Financial Technologies (FT). They wanted to meet Jignesh Shah, FT's founder & promoter. FT is the holding company of the NSEL and the brokers wanted back the money the stopping of the commodity exchange's operations had blocked.

Shah, not surprisingly, avoided them, making a hasty back door exit. The NSEL owed ₹5,500 crore to 13,000 investors. Since then, the exchange has

UNRAVELLING THE CRISIS

How a forward contract was traded on the spot market bending the rules

BACKGROUND

- The NSEL brought farmers selling their produce and processors of such produce on a single platform
- This allowed farmers to garner higher profits compared to selling in mandis
- To increase volumes, the NSEL initiated a new financial product to finance processors
- It worked as a quasi-bank for the processors and raised money from investors, mainly high net worth individuals
- These investors earned returns of 11 to 16 per cent in a year. No long-term capital gains tax, commodity transaction tax or stamp duty had to be paid

already defaulted, being able to clear dues of only ₹92 crore until August 22, 2013. So too Shah has remained elusive, refusing to respond to repeated queries from *Business Today*.

The poster boy of the business community in Mumbai, Shah has built an empire of nine exchanges in India and overseas within a decade and a half. The NSEL fiasco, though, has badly dented his credibility and casts a long shadow over his other businesses.

Shah found himself in a tight corner after it was discovered that some NSEL brokers' clients had taken positions on longer-term forward contracts, when the exchange was only permitted spot contracts in commodities. Worse, the NSEL permitted 25 to 45 day forward contracts without verifying that the commodities had actually been deposited in the warehouses. "Exchange became a bank for us. It was pure funding activity. We used to get easy access to capital without banking hassles. It helped us invest more," says one of the traders on condition of anonymity.

Again, funding may not have been restricted by the traders and processors to the core business activity. Sources allege money raised at the NSEL may have been directed to other investment channels such as real estate or gold. But with both these markets depressed, it proved difficult to quickly liquidate assets and return the money – hence the default.

"Brokers were trading with an exchange which was government licensed and a legal entity. Therefore it is the NSEL's responsibility to pay off investors whose money is stuck. The exchange is the counter-guarantee party among buyers and sellers for a trade," says C.J. George, Managing Director of Geojit BNP Paribas Financial Services.

A widespread belief is that the registered warehouses of the NSEL do not have the required amount of goods to clear the dues of the investors and therefore Shah wants to reach some settlement between the processors and investors. "Even if there are some warehouses that hold goods, no one knows the identity of the owner of the goods. Goods may even be pledged with banks or other institutions," says Ashok Mittal, Alternate President, Commodity

MODUS OPERANDI

- The investor would buy a certain amount of a commodity from the processor, say at a price of ₹100
- Simultaneously, the investor would sell the same quantity of the commodity to the processor, say at ₹102, but the delivery date could be even 45 days later

- Since the financial year has 8 cycles of 45 days, the investors could get a return of up to 16 per cent (8 cycles x 2 per cent) a year.

- It was believed that the underlying commodity was in the safekeeping of the NSEL as the exchange was issuing warehouse receipts.

CLAMPDOWN

- The government asked the NSEL to stop trading in the product as it violated the spot exchange norms of settling a contract in 11 days.
- The NSEL defaulting on its first tranche of payment to investors suggests it may have been issuing warehouse receipts for commodities which it didn't actually hold

For previous stories on Jignesh Shah, go to businesstoday.in/archives-sep1513

Participants Association of India (CPAI).

But traders insist that they are being unfairly targeted. Mohit Aggarwal, Chairman and Managing Director of the Aastha Group, whose two companies Aastha Minmet and Juggernaut Projects owe nearly ₹250 crore to investors, feels the authorities are being too harsh on traders like him. "I don't understand why we are portrayed as scamsters," he says. "I used to trade in steel and the commodity is with the exchange. They can sell the steel to recover their money."

Was Jignesh Shah aware of what was happening at the NSEL? It is most likely he was. Indeed, he would himself ing for 70 per cent of the group's total income. Commodity exchange MCX may not take a big hit, but it has similar participants and the payment default at the NSEL has already seen a fall in its trading volumes. FT holds 26 per cent stake in MCX and in 2011/12 received close to ₹107 crore in dividend and technology support fees from it. But Shah's big bet, MCX-SX, the fledgling equity stock exchange, could take a big knock. If there are major corporate governance issues plaguing the FT group, no institutional investor will trade on it.

"Though there can be criminal proceedings against (Jignesh) Shah and other directors of the board, FT as a company is not at risk," says a lawyer with the group on condition of anonymity. "It's a separate entity and in this case only assets of the NSEL can be attached to recover the money." But an inordinate delay in settling the dues means a huge loss of face for Shah.

"If he intends, he must assure investors they will get back their money. Today we have no faith in the group and like other brokers we have advised clients to remove their money from other entities of the group," says Motilal Oswal, CMD, Motilal Oswal Financial Services. ◆

ADDITIONAL REPORTING BY SUPROTIP GHOSH

LIKELY IMPACT

Jignesh Shah's business empire, and all those having dealings with it, may be hit

NSEL
Huge risk of closing down. Already the exchange has been stopped indefinitely

Multi Commodity Exchange (MCX)
No direct risk, but it has similar participants and the payment default at NSEL could lead to a drop in volumes

Financial Technologies (FT)
Earns major revenues from supplying technology to its exchange subsidiaries and brokers. Revenues may be impacted

MCX Stock Exchange Ltd
Institutional investors will not trade on the stock exchange. Five per cent planned stake sale by promoters will take back seat

make a presentation to the Consumer Affairs ministry as well as to the regulator, the Forward Market Commission, on the forward contracts, say sources. For a while, everyone made money and no one complained. In fiscal year 2012/13, the NSEL recorded a net profit of ₹127 crore, accounting for 56 per cent of the consolidated profit of FT, compared with 10 per cent in the previous financial year.

The NSEL development is a body blow to FT and Jignesh Shah. It may have stakes in the NSEL, MCX etc, but FT's revenues come largely from supplying technology to its exchange subsidiaries and brokers. If the exchange business suffers, it will impact revenue. FT reported a profit of ₹322 crore in 2012/13 on total income of ₹657 crore, account-

Send your comments to editor.bt@intoday.com

27 SHRIRAM CITY Shining years

HELLO, BOSS.

HERE'S TO THOSE WHO NEVER NEEDED
TO HAVE SOMEONE DOWN THE CORRIDOR TELLING
THEM WHAT TO DO.
HERE'S TO THOSE WHO NEVER
DELEGATED UPWARDS.
HERE'S TO THOSE WHO ONLY EVER SERVED
ONE BOSS: THEIR PASSION.
HERE'S TO THOSE WHO NEVER FOUND THEMSELVES
A JOB, BECAUSE IN A JOB THEY WOULD NEVER HAVE
FOUND THEMSELVES.

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OF ENTERPRISE.

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*Analysis of MSME Loan Markets for NBFC's- July 2011 by Frost & Sullivan

THE CRUMBLING BRIC

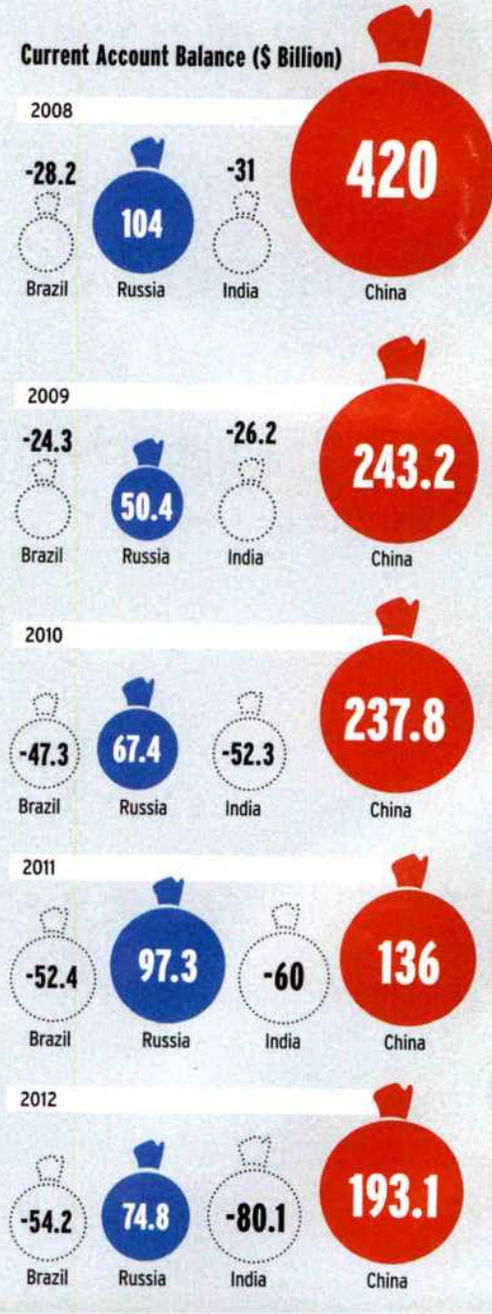
The BRIC (Brazil, Russia, India and China) economies account for over 40 per cent of the world's population and about 20 per cent of its economy. Their vitality was widely expected to shore up the global economy, more so when they initially seemed to be coping better than the developed economies with the global downturn. But today, the BRIC pack too is struggling against the macro-economic headwinds. Among them, India appears to be the worst affected, hit by triple whammy of high current account deficit, inflation and weakening currency.

Graphic by **Santosh Kushwaha** Research by **Jyotindra Dubey**

1 **All four BRIC countries are grappling with a slowdown in growth**

2 **India and Brazil also have to contend with a high and rising current account deficit (CAD) – the excess of imports over exports and remittances. The CAD is an index of the extent to which country's economy is functioning on borrowed means**

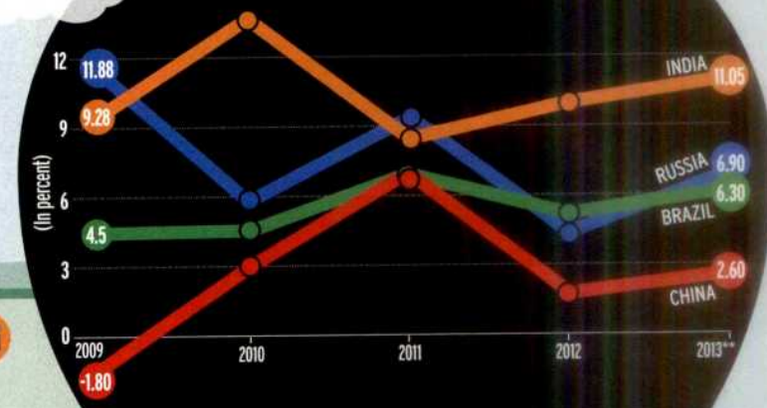
Current Account Balance ($ Billion)



GDP Growth Rate

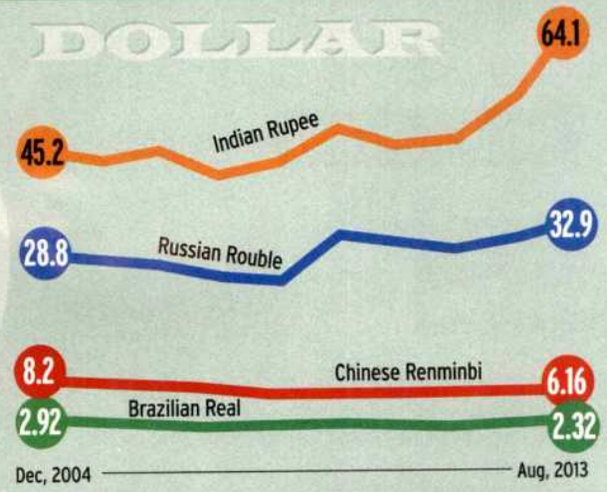
*Figures are March ending for India, rest are December ending
Respective central bank estimates; actual figures for India

3 Barring China, all the other BRIC nations have to contend with high inflation* as well.

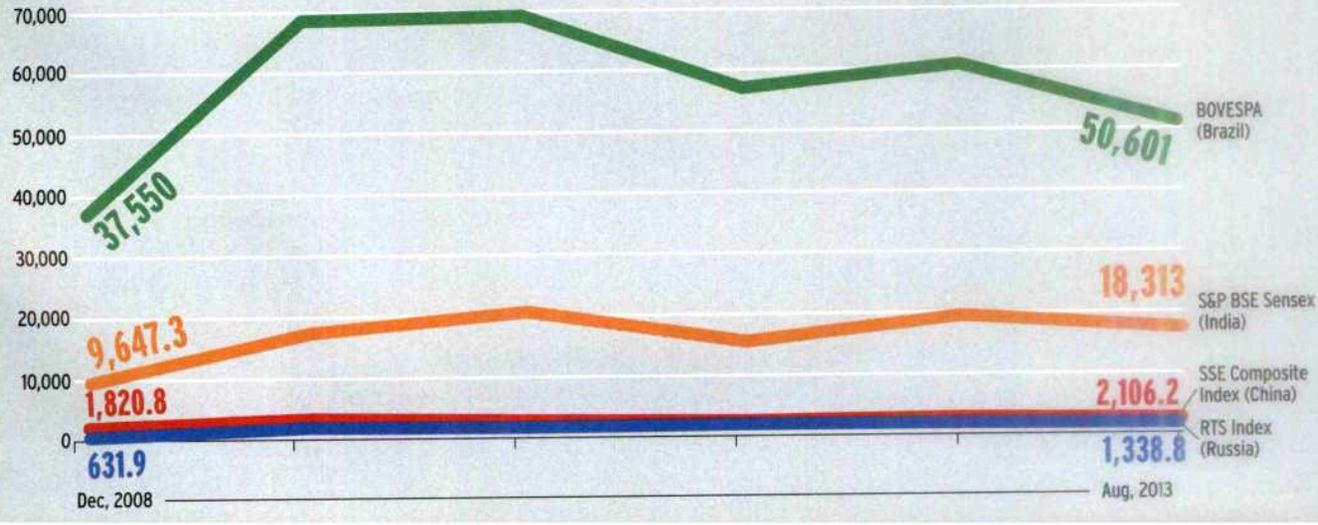


*Figures show consumer price inflation
** Estimates

4 India's currency has recorded the sharpest fall against the dollar in the BRIC pack



5 Domestic and global investors though have still not lost faith in the BRIC story. The stock markets of these countries have recorded gains in recent years

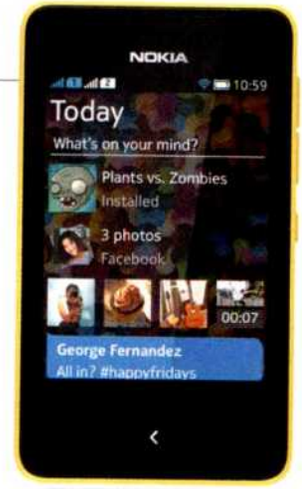


Know Thyself

An app on your smartphone can track and quantify every one of your daily activities. Use **Argus** to keep tabs on how many hours you slept, the total number of steps you took through the day, the calories you consumed and how many of them you burnt up. It is easy to set up and provides exhaustive information. Some inputs such as your water or coffee intake need to be fed in manually. But the data at the end of the day will give you an accurate idea of how healthy (or not) your lifestyle is.

Cost: Free; iOS

AN APP WHICH KEEPS TABS ON YOU, A TOP-CLASS BUDGET PHONE AND A PC-TABLET CONVERTIBLE



Great Bargain

Small in size, solid in build and simple to use, the Nokia Asha 501 is everything a good feature phone should be. Running the new Nokia Asha software platform, it brings a lot of smart features to a sub-$100 phone, thus strengthening the smart feature phone category. The Asha 501 takes the Lumia design language forward, has vibrant colours and will fit easily in your palm. It is a dual SIM model, and also the first feature phone to use micro-SIMs. The three-inch touchscreen is really responsive. This is a 2G phone, but the Xpress browser compresses pages to load them quickly and with less data. The camera is not all that great, but at this price who can complain. It can be used for three consecutive days on a full charge.

Price, size, performance

Screen resolution, camera

Nokia Asha 501 **Price:** ₹5,049

Lenovo ThinkPad Twist **Price:** ₹71,000 & above

Flexible Wonder

A bit like last year's IdeaPad Yoga, Lenovo's new ThinkPad Twist has a screen that can be turned through 180 degrees, bent over backwards and folded back to become a tablet. This gives it a regular laptop mode, a stand mode where the screen is facing the user with the keyboard behind it, a tent mode suitable for presentations and, of course, the pure tablet mode as well. So too it has a touchscreen, and a trackpoint and unconventional touchpad with a scrolling button as well. The 13-inch Twist has a 20mm magnesium hybrid body weighing just 1.6 kg. It is basically an ultrabook, one of the fastest Intel Core i5 devices we have encountered. With a fan grill on the right edge, it manages to stay cool even while carrying out tough tasks. It also has most of the ports the targeted enterprise users will need. Ideal for business users, it is also highly customisable.

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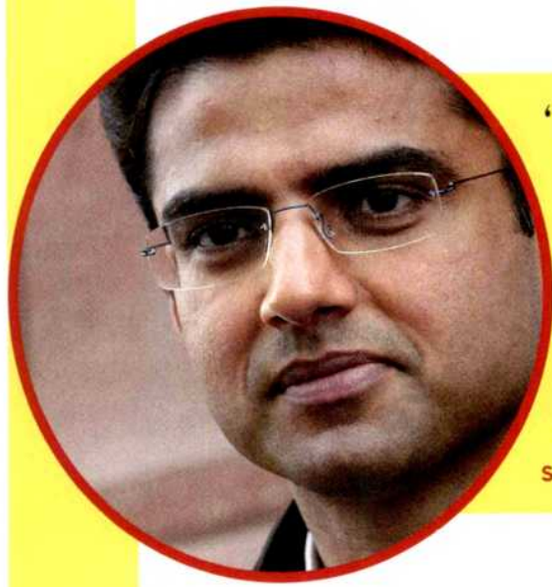
"Most companies fear the obligation will eventually snowball into becoming a mandatory provision"

Shardul Shroff, Managing Partner, Amarchand Mangaldas, in *Mint*



"India perhaps is the first country in the world to have CSR in its statute... This is the company's money. They have full freedom to choose how they want to spend that money"

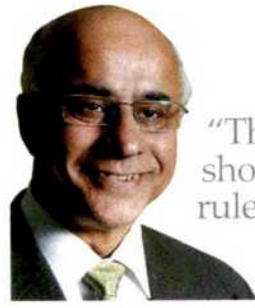
Sachin Pilot, Corporate Affairs Minister, in *The Times of India*

"CSR HAS BEEN SO NARROWLY DEFINED WITHIN COMPANIES... NOW THEY WILL FEEL THAT THEY BETTER FOLLOW THE LETTER OF THE LAW"

Rohini Nilekani, Chairperson and Founder, Arghyam, in *Mint*

"It will provide regulatory clarity and a framework for organisations to deliver on their CSR goals within the larger social and environmental sustainability context"

Rana Kapoor, CEO, YES Bank, in *The Hindu Business Line*



"This is a good opportunity for corporates to show that they care. Now that it has become a rule, some companies will now need to go beyond their internal boundaries"

Subroto Bagchi, Chairman, MindTree, in *DNA*

*Corporate social responsibility

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Navin Agarwal, Chairman, Cairn India Limited

CHAIRMAN'S SPEECH AT CAIRN INDIA'S SEVENTH AGM

24 JULY, 2013

Good morning ladies and gentlemen,

On behalf of the Board of Directors, I extend a warm welcome at the Seventh Annual General Meeting of your Company.

Thank you for joining us today.

Two clear trends drive the global oil and gas industry outlook. On the supply side, tight oil and shale gas resources are enabling USA to witness the largest ever increase in production growth. On the demand side, emerging market economies, such as India are witnessing relentless demands for both oil & gas.

The US energy revolution is driven by business environment, price and technology. Market determined prices enabled investment in technology and in turn, technology has transformed uneconomical and inaccessible resources to reserves.

The message for India is clear – policy reform, enabling oil & gas business environment and deployment of technology are fundamental to enhance energy security and achieve the goal of self-sufficiency.

To this end, it is encouraging to see recent positive changes in the policy landscape for the Indian oil & gas sector.

Let me draw your attention to a few key highlights:

- Our operations contributed ₹ 20,000 crore (US$ 3.6 billion) to the government (perhaps) the highest in the private sector
- Your company contributed more than 80 % of India's crude oil production growth last year, saving ₹ 38,500 crore (US$ 7 billion) in foreign exchange
- Recommenced exploration in Rajasthan after a gap of 5 years, that resulted in our 26th discovery. We committed investment of about US$ 3 billion on further exploration and increase in production ·
- Commenced gas sales from Rajasthan
- Your company paid maiden dividend of ₹ 1,110 crore and has further proposed a dividend of ₹ 1443 crore including dividend distribution tax, for the year aggregating to about 21% of annual consolidated net profits

Your company has vast potential to enhance energy security of our country. In this context, we are engaged with the government to approve an Integrated Field Development Plan. An early approval will substantially expedite production ramp up. We are also encouraged by our principal joint venture partner, ONGC, who is fully aligned and supportive of this vision of contributing to energy security of our country through spi execution.

Over the last year, the Ministry of Petroleu Natural Gas announced numerous pos policy changes - most significantly, p clarity on exploration in development bl allowing continued exploration in Mi Lease areas.

Oil imports have led to a widening of current account deficit with adv implications on economy. The exten current account deficit is a significant p concern for our nation.

Thus, the nation needs to make every e to augment domestic production hydrocarbons. Conducive policy framew which attracts global risk capital, has potential to change the exploration production landscape of our nation – muct the energy renaissance in the US.

The focus should be to improvise above- ground factors, which have a signifi influence on the progression of dom hydrocarbon resources to reserves.

To this end, your Company continue actively engage with the Government of I and is confident of its continued suppo further reduce our nation's dependence o imports.

Let me now talk about your Compa operations.

Operations – Rajasthan Assets

In the past 12 months, your Comp consolidated its position as one of the wo largest producing independent explora companies with a rising production profile an established exploration progran designed to further increase India's oil anc production in the long term.

Last year was distinctive for many reaso Aishwariya our third largest discover Rajasthan was brought on-stream. Thus, Company brought four oil fields on-strea just two years. This demonstrates unwavering focus to realise value quickly f our Rajasthan assets.

Your Company reported another year of re production in FY2013 with daily output at 205,000 barrels of oil equivalent. achievement, delivered at one of the lov costs per barrel in the industry, is a credit tc entire Cairn India team.

In addition to sustaining and increa production from five oil producing fie your Company is also working tow commercialising 20 other discoveries. Fur renewed exploration will help realize estimated 530 million barrels of oil equiva of gross recoverable risked prospe resource.

We have also submitted a formal applica for an extension of the licence term in Rajasthan Production Sharing Contract.

ent operations of the processing and ine infrastructure in Rajasthan and at continue to ensure safe and consistent ery of crude oil.

ne now move to our two other producing s.

a and Cambay fields

mature assets - Ravva and Cambay - nue to create significant value. These ts are an example of innovative cation of technologies and investments ncing the remaining value and potential e fields.

example, Ravva has already produced oximately three times more than initial nates. Looking forward, your Company d target a deep exploration prospect at a. In addition, a three well infill drilling paign would tap the by-passed oil.

Cambay block completed 10 years of uction and crossed a cumulative uction of over 50 million barrels of oil valent hydrocarbons. A successful infill ng campaign during the fiscal year ted in doubling the production potential. as a result of an infill drilling campaign improved understanding of the urface, the gross estimated ultimate very of the block has increased by about illion barrels of oil equivalent.

national assets

i Lanka, data from both the exploration es is being evaluated and integrated, to understand the block's future potential. are also evaluating options to develop the discoveries on the block.

ne with the Company's strategy to build ntially significant international positions, Company entered South Africa and menced exploration operations during the . Your Company has also received an oval from The Petroleum Agency of South a for a Technical Cooperation Permit (TCP) nother block.

financial performance reflected tanding operating results for the FY2013 reported record financial results. The pany has a strong balance sheet backed by ust cash flows, which will drive our ificant capital expenditure strategy.

At a regional level, over the past fiscal year your Company has made a multitude of positive contributions in the regions where we operate, strengthening the local economies and supporting the communities.

HSE & CSR

I am pleased to share that your Company is now amongst the top 10 global E&P companies in Health, Safety and Environment as per the International Association of Oil & Gas Producers (OGP) benchmark. We remain steadfast in our commitment to promote safe and ethical work practices, adhering to environmental and social responsibilities, and as a result, your Company endeavours to maximise stakeholder value.

Looking forward, your Company will play a key role in sustainable development. Our team is hard at work to strengthen the sustainability and development initiatives within the organisation.

We are committed to building strong relationships with the communities in which we operate.

Your Company strives to supplement government efforts to improve infrastructure needs of the community, whilst leveraging several schemes to provide better facilities.

The path ahead – Exploring for tomorrow

Exploration has been, and will continue to be, central to our growth plans. As we embark on the next stage of our growth journey, I could not be more excited about our future.

We have a well-balanced portfolio of exploration, development, producing assets and a clear plan which will see us aggressively pursuing exploration and development opportunities in the months and years ahead. This programme has the potential to not only change India's oil production profile radically, but also the size of the Company and its presence in the global oil & gas space.

The aggressive exploration and fast-track development is designed to bring new fields into production in a region where Cairn India has already discovered around 1.3 billion barrels of oil equivalent gross proved and probable reserves and resources, but has drilled only a part of its acreage.

CAIRN

WE FUEL AMAZING

Accordingly, over the next three years, through the end of FY2016, your Company will invest more than ₹16,000 crore (US$ 3 billion) in pursuit of finding and producing more oil. This will be funded by our strong production base and harnessed by the on-going application of innovative technologies.

In Rajasthan, as an example, your Company will invest more than ₹13,000 crore (US$ 2.4 billion) and drill more than 450 wells – approximately 100 exploration wells and more than 350 development wells.

This unprecedented programme, which will be fully funded from your Company's cash resources, targets adding 530 million barrels to its reserves and should significantly reduce our nation's dependence on oil imports.

As I conclude, on your behalf, I would like to thank all the employees of Cairn India for their focus and commitment to finding and producing oil & gas, safely and efficiently.

The support of the Government of India, the State Governments, our joint venture and business partners and local communities has been instrumental in our success. I personally thank them for their cooperation.

I remain confident that your Company will play a pivotal role in meeting our nation's vision of energy independence and in the process deliver long-term value for our shareholders.

On behalf of the Board of Directors and the employees of Cairn India, I once again thank you for your enduring support and encouragement.

Sd/-
Mr. Navin Agarwal
Chairman, Cairn India Ltd.

Advt.

AN AIRLINE FOR THE PEOPLE

Set to enter the Indian aviation market, AirAsia will target the large pool of people who have never flown before, offering very low fares. By MANISHA SINGHAL

SUMANTH KUMAR

Dashing Duo: AirAsia India Chief Commercial Officer Amisha Sethi (left) with CEO Mittu Chandilya

It is unusual for a top airline executive to stand at a railway station or a bus stand and observe travel behaviour. Amisha Sethi has been doing just that since taking over as the chief commercial officer of AirAsia India in July. The exercise is part of a plan to attract virgin fliers, as the low-cost carrier prepares to start operations by the end of this year. "Airlines try to build an image about the kind of passengers they fly," says Mittu Chandilya, CEO of AirAsia India, elaborating on the strategy. "We want to break that image."

It will, however, require a lot of hard work. Especially in India, where existing airlines are struggling to make money. A recent report by consultancy Centre for Asia Pacific Aviation (CAPA) said local carriers, excluding state-run Air India, were staring at a combined loss of $400 million to $450 million for the July-to-September quarter. The report said that recent discounts on fares by airlines have failed to boost traffic while expenses remained high due to costly fuel and a weakening rupee.

So how will AirAsia buck this trend, keep costs under control and offer the low fares it is famous for? Can Chandilya, a 32-year-old former model and entrepreneur and his young team do it? Some aviation analysts feel AirAsia India – a joint venture of Malaysia's AirAsia Group, India's Tata Group and the Arun Bhatia-led Telestra Teleservices – needs more experienced management given the tough domestic market. Sethi, the bubbly and raring-to-go telecom marketer who previously worked with Bharti Airtel and BlackBerry, laughs this off. "You do not need grey hair to make it happen," she says. "You need grey cells."

Creating a new segment

What AirAsia plans to do is add a segment of fliers that other carriers do not cater to. People who use the rail and road networks are its target customers. This is something akin to what G.R. Gopinath, the pioneer of low-cost aviation in India, tried seven years ago with his airline Air Deccan. Gopinath's venture could not survive with that game plan and sold out to rival Kingfisher Airlines, which itself is now grounded. Chandilya, who was named as the airline's India CEO in May, is undeterred. "I want people to board flights who do not know how to walk up the ramp," he says. "It might be a risky strategy but this does not bother me because that's a huge market and we will educate them."

Will the airline bypass corporate or business fliers? Not entirely. Chandilya says AirAsia will keep 20 of 185 seats on its aircraft for this category of fliers, who will get more legroom and a buggy cart to ferry them to the aircraft at a little extra cost. "The corporate guys who want to travel with AirAsia and want a little bit more exclusivity will get it, but the entire proposition of the business model will not be made to suit them," he adds.

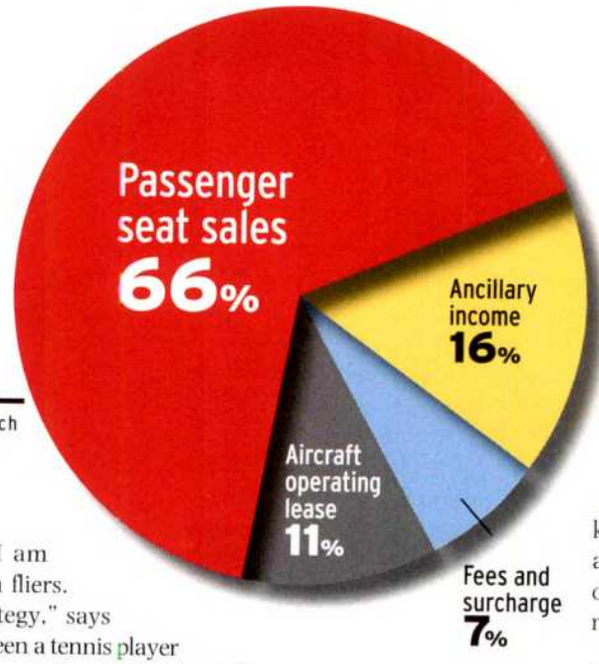
So, essentially a fisherman with his fish and a floriculturist with his cargo of flowers will be rubbing shoulders with business

"I want people who do not know how to walk up the ramp to board flights. It might be a risky strategy but that does not bother me"

Mittu Chandilya, CEO, AirAsia India

AirAsia Revenue Breakdown

Where AirAsia Group's income comes from



Source: Macquarie Research

travelers flying AirAsia. "I am aggressively targeting virgin fliers. That is a big part of my strategy," says Chandilya, who would have been a tennis player had it not been for a knee injury. What is the size of this segment? "The flying population in India is anywhere between 50 and 60 million and the total population is 1.2 billion. So I have that much of an opportunity and we are really focusing on this."

Tweaking the marketing strategy

To attract the entirely new set of fliers it is targeting, AirAsia will require an innovative game plan for marketing and distribution. Sethi, who is in charge of sales at the airline, says AirAsia's marketing campaigns will "cause major disruptions". The airline will also target potential customers through social media networks such as Facebook and Twitter.

Keeping in mind the complexity of the Indian market, AirAsia will also change its distribution strategy of allowing online travel portal Expedia to exclusively sell its inventory. But it might steer clear of some established players and look for entrepreneurs who trust AirAsia. Chandilya says he has "no illusions" that the established travel portals will promote airlines that are already their top clients. "I will not go begging to them. I will go with somebody who is rather willing to invest in us and grow with us and cut teeth with us," he says.

MakeMyTrip.com, one of the largest online travel portals in India, partially disagrees with Chandilya. Keyur Joshi, Chief Commercial Officer at MakeMyTrip, says the portal also works with regional airlines like Air Ventura. But it agrees the Indian aviation market is highly under-serviced. Joshi says AirAsia brings a new, exciting dimension to the Indian market by targeting smaller cities and towns. "There is plenty of opportunity for existing and new entrants," he adds.

Playing in the South

To begin with, AirAsia will focus on southern India. An important part of AirAsia's strategy is opening up new routes in the region and selling destinations that are of tourists' interest. "No airline in India has focused on the south the way we are going to," says Chandilya.

AirAsia will also leverage the flow-through traffic from Southeast Asian countries including Malaysia and Thailand, where its group companies already operate low-cost carriers. Travel trade experts say almost half the people flying to Southeast Asia from India are from southern states. Chennai, AirAsia's India base, is a melting pot of intra-region travel. "AirAsia has 43 million passengers flying. It is a huge database and it is this large number of passengers we are looking to bring to destinations in India," says Chandilya.

The airline will offer point-to-point connectivity using a hub-and-spoke model between metros and smaller cities. It aims to develop four to five hubs in India by 2014. Besides Chennai, southern India will get two more hubs. Hyderabad, Bangalore and Kochi are among the cities it is considering. It hasn't finalised the list of smaller cities and towns it will fly to, but says it will consider any airport in the south where an Airbus A320 aircraft can land.

The key to AirAsia's success, however, is low fares.

Who Owns How Much

AirAsia India's shareholders and what they get

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Telestra Teleservices	21%	ARUN BHATIA WILL BE A BOARD MEMBER

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Business sutras

The main features that define AirAsia

AirAsia is the first low-cost carrier to expand outside its home market

It is the largest low-cost carrier group in Asia with 122 aircraft

The airline forms joint ventures and holds operational freedom in the JVs

It operates on a hub-and-spoke model connecting cities with a single aircraft type - the A320

The airline offers the lowest fares wherever it operates and chases volume instead of yields

The airline is benchmarking its base fares in India against first-class rail tickets. It plans to price its base tariff about ₹1,000 more than rail fares. This will require a strict check on expenses. Analysts say AirAsia India can lease planes at lower interest cost from its Malaysian parent, which has ordered 375 aircraft from European plane maker Airbus. The airline can also drive hard bargains on maintenance and spares contracts.

Keeping costs in check

To keep operating costs low, the airline will have a lean staff structure. It is targeting 80 to 100 employees per aircraft initially and 60 employees eventually. In comparison, other airlines in India have a ratio varying from 102 to 185 employees per aircraft.

Chandliya, who joined the airline taking a pay cut, is negotiating hard for every contract – be it with employees, vendors, airports or marketing agencies – to keep costs down. "For cabin crew recruitment everything is negotiated down to the bare bones. We make sure contracts are performance-based without a heavy base," he says.

The airline has a staff of 200 and is going slow on hiring till it gets all regulatory clearances. "Every month that goes by (without operating) means you'll be bleeding more," says Chandilya. Aviation experts dismiss this strategy of cutting down on manpower to save costs. "Human capital costs are not more than 10-18 per cent of an airline's total cost. So, AirAsia will not achieve much by keeping a lean structure," says Mark Martin, Founder and CEO of Martin Consultancy, a Dubai-based airline advisory firm.

Martin, who previously worked with Indian budget airline SpiceJet, also questions AirAsia's model of keeping costs comparable to rail tariffs. "For an Indian consumer rail and air travel are designed to serve specific purposes. Nowhere in the world are airlines trying to compete with rail," he says. "AirAsia needs to evolve a localised model."

To avoid higher costs in aircraft parking, navigation and landing charges, AirAsia will bypass Delhi and Mumbai airports. These two increased airport charges more than four-fold last year.

Chandilya says the country's two busiest airports also face congestion issues, which result in higher fuel costs. All these efforts, hopes Chandilya, will help the airline start making money from the third month of its operations.

But that maybe a tad too optimistic, feel analysts. "The initial 12 to 18 months will be very challenging for AirAsia," says Kapil Kaul, South Asia head of aviation consulting firm CAPA. Kaul says the $30 million that AirAsia India's founders have committed in initial capital indicates that the airline is undercapitalised. He doubts the airline will be able to achieve the cost structure it wants in the near term, given the difficult local market conditions.

Chandilya is determined, though. He shrugs off a delay in receiving regulatory clearances that have made it unlikely for the airline to start operations by November as it earlier intended. "These are just distractions," he says. "I am bullish about getting clearances. They should be right around the corner."

He isn't worried about the competition either. Airlines in India, he says, have reached a point where it is difficult for them to lower fares further due to their heavy cost structures. It will be easier for a start-up like AirAsia to keep costs and fares low. Of course, rivals may still try to bring the fares down. He is unfazed. "Let them do it," he says. "It works better for us because then they will be playing the game in our arena and we can make them bleed heavily." ◆

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Rule of THUMB

Tribals in Orissa's Niyamgiri hills reject Vedanta's bauxite mining project in a landmark referendum. By ARUNIMA MISHRA

Photographs by SHEKHAR GHOSH

On August 13, two days before India celebrated its 67th Independence Day, a tiny village deep inside the forests of Orissa tasted the fruits of freedom.

Khambesi, the village of 105 Dongria Kondh tribals, isn't easily accessible. The beautiful hamlet in Rayagada district isn't connected by road or rail networks. It can be reached only by walking nine km through thick forest and after crossing four streams and a river. But on that day, several government officials, social workers, research scholars, and journalists headed for Khambesi to witness the proceedings of a gram sabha, or a meeting of the village council.

The meeting was to decide whether a joint venture of state-run Orissa Mining Corporation (OMC) and Vedanta Aluminium Ltd, a unit of billionaire Anil Agarwal's London-listed mining giant Vedanta Resources Plc, should be allowed to extract bauxite from Niyamgiri hills. The hill range is spread over 250 sq km and contains bauxite reserves of about 70 million tonnes. As the meeting began, villagers came forward one after another to voice their opinions on the mining project. They spoke about how the project threatens their religious rights and how it would destroy the pristine forests as well as their livelihoods.

"We have lived here for so long. How can the government sell our *donger* (forest) now," Lashkiya Sikata, a middle-aged woman, told the meeting held under heavy security cover of state police and central paramilitary forces. Another villager, Rikota Bhali, said the forest was the abode of their lord – Niyam Raja – and that their culture would vanish if the forest was taken away from them. Some women grew agitated. Kutruka Kunjhi took the mike from the presiding official and roared, "No one has the rights to our forest – neither the government nor the company. We will shoot down with our arrows those who force us to give up our forest."

Soon after, the villagers voted unanimously to oppose mining in their revered Niyamgiri hills.

Khambesi is one of a dozen villages inhabited by Dongria Kondh and Kutia Kondh tribes in Rayagada and Kalahandi districts where the gram sabhas were held. These gram sabhas were organised by the Orissa government between July 18 and August 19. All of them rejected mining on similar grounds. While 112 villages fall in the Niyamgiri hill range, the state government selected 12 villages in a 1.5 km radius for the gram sabhas as only these fall in the mining zone, says Bijay Ketan Upadhyaya, District Collector of Kalahandi.

The genesis of the landmark referendums lies in a directive of the Union Ministry of Environment and Forests in August 2010 rejecting forest clearance to the bauxite

Khambesi residents cast their vote in the presence of Rayagada district officials. The village is one of the 12 in Niyamgiri hills to hold a gram sabha to decide the fate of Vedanta's mining project

mining project. OMC later challenged the ministry's denial in the Supreme Court. In April, the Supreme Court ordered the state government to organise gram sabhas under the Forest Rights Act of 2006 to determine the views of forest dwellers on whether mining should be allowed or not.

The gram sabhas' unanimous verdict is not the last word, but it will certainly influence the central government's final decision on granting forest clearance for the mining lease. Certainly, the outcome is a jolt to Vedanta. The company has invested ₹5,000 crore to set up an alumina refinery with a capacity of one million tonnes a year at Lanjigarh in Kalahandi. The refinery was to get bauxite, the main aluminium ore, from Niyamgiri and was sourcing the raw material from other states in the interim. In fact, the company shut down the refinery due to bauxite scarcity in December last year and resumed partial production only in July. Mining from Niyamgiri is also vital for the company's plans to expand the refinery to five million tonnes.

The company is unfazed, however. In its 2013 annual report, released after the Supreme Court verdict, Vedanta Resources said it expected to receive mining approval by September and planned to start bauxite production in two years' time. The company also expected approvals for refinery expansion by January 2014, according to the report. But, it had added that the timelines were not in its control. A spokesman for Vedanta Aluminium told *Business Today* it was the state government's responsibility to give bauxite to the company. The state government had promised the company 150 million tonnes of bauxite and it must help Vedanta source the raw material locally for the Lanjigarh refinery, he said.

What Lies Beneath

Orissa's earnings from minerals in 2011/12

Mineral	Collection
Iron ore	2,853.42
Coal	1,037.71
Bauxite	64.05
Limestone	20.11
Manganese	9.2
Gemstones	0.08

Figures in ₹ crore
Source: Directorate of Mines, Orissa

Orissa is one of the most mineral-rich states in the country. It has more than half of India's bauxite reserves and is the largest producer of aluminium in the country. It has 90 per cent of India's chromite and more than a third of iron-ore reserves. Not surprisingly, the state earns massive revenue from minerals. Its non-tax revenue from

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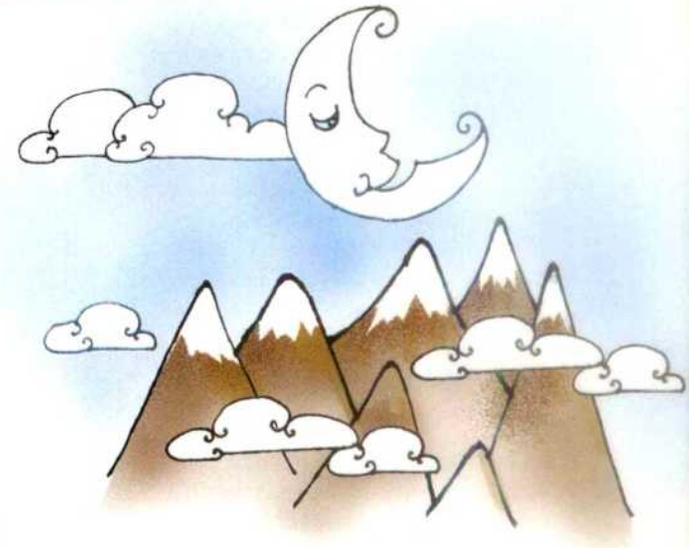

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Anatomy of a Confrontation

The long-drawn tussle over bauxite mining in Niyamgiri hills

2003 — Sterlite, now called Vedanta Aluminium Ltd (VAL), signs a pact with Orissa Mining Corporation for bauxite mining in Niyamgiri hills

2007 — VAL starts one-million-tonne alumina refinery at Lanjigarh, hoping to get bauxite from Niyamgiri

July 2010 — The Union environment ministry and Orissa chief secretary order separate probes into whether mining will impinge the rights of Dongria Kondh tribals living in Niyamgiri

Aug 16 2010 — A four-member panel set up by the Centre to probe the bauxite mining proposal finds VAL violated forest and environment laws in collusion with state officials

Aug 2010 — The Union environment ministry rejects earlier clearances given to the joint venture

Apr 18 2013 — The Supreme Court orders gram sabhas to be held in 12 villages in the area to determine the views of forest dwellers on mining

Jul 15 2013 — The Vedanta refinery, which had been closed since December 2012 due to bauxite scarcity, restarts after sourcing raw material from other states

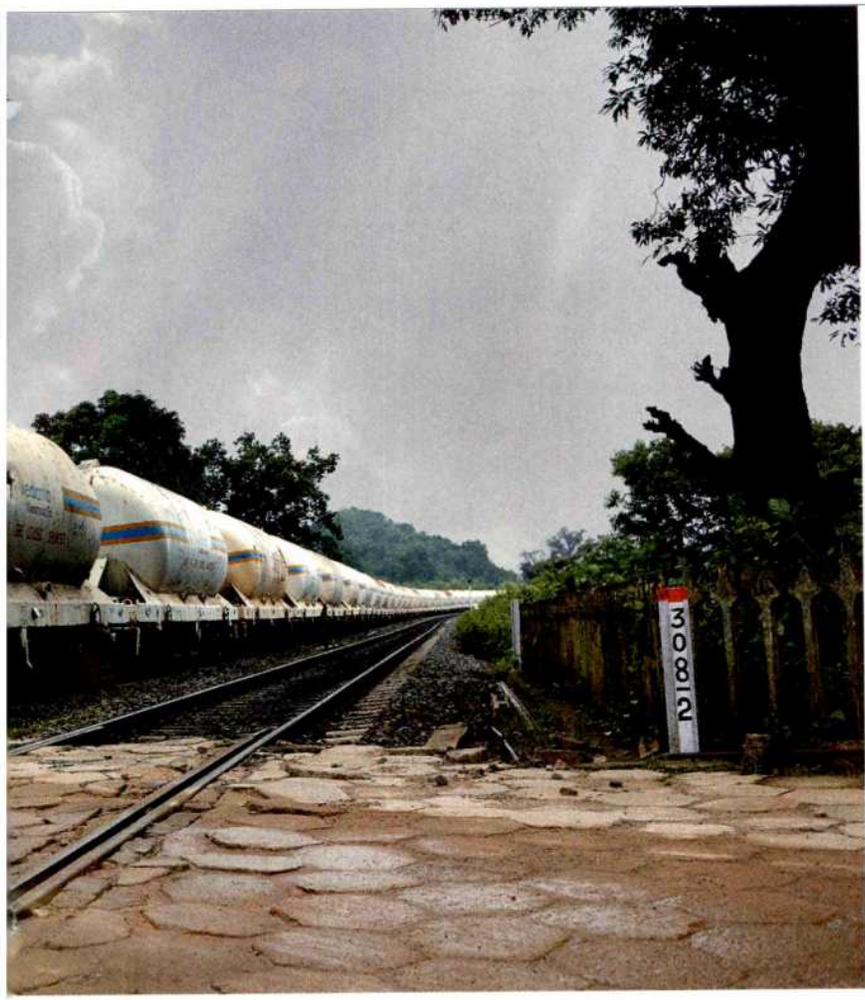
Jul 18 2013 — The first gram sabha, held in Serkapadi village of Rayagada district, rejects the mining proposal

Aug 19 2013 — Like all the other gram sabhas before it, the 12th gram sabha held at Jarapa village in Rayagada district also rejects mining

1

2

1. A Vedanta Aluminium freight train. The company sources alumina from Andhra Pradesh, Chhattisgarh and Gujarat for its smelter in Orissa
2. Kutruka Kunjhi vehemently opposed the mining project. Neither the government nor the company had the rights to the forests, she said.



activist, says tribals across India are struggling to establish their rights over their own land. "For a long time they were being treated as second-class citizens," adds Manish Kumar, a research associate from National Law University, Delhi, who was present at the Khambesi gram sabha.

Rana Roy, a research scholar in forestry from Canada's University of Toronto who also observed the proceedings of the gram sabha, says the Forest Rights Act, if implemented properly, can act as a shield for the tribals in the long term. But he adds that government officials and civil society groups have not done much to make the tribals adequately aware of the law. "The tribals see the Act as something that will limit their rights, which is not the case," says Roy, who is studying the implementation of the law in Kandhamal and Deogarh districts of Orissa.

mines surged to ₹5,695 crore in 2012/13 from ₹3,300 crore two years before.

Like its mineral-rich neighbours Jharkhand and Chhattisgarh, Orissa is also encouraging steel, aluminium and power companies to set up factories, promising them mines to extract iron ore, bauxite and coal. And like its neighbours, Orissa also is witnessing people's resistance to these projects. Besides Vedanta, a number of companies including South Korean steel maker Posco are facing problems in getting mining leases, environment and forest clearances, and in acquiring land. On July 17, a day before the gram sabhas began, global steel giant ArcelorMittal scrapped its ₹50,000 crore project in Orissa. The company said it had been unable to acquire land and iron-ore mining blocks for the 12-million-tonne project more than six years after signing an initial pact with the state government in December 2006.

Critics say the state government signed pacts with various companies promising them thousands of acres of land without taking into account the concerns of locals. Bijaya Kumar Babu, a local social

Biswajit Mohanty, a board member at anti-graft group Transparency International India, says Orissa's mining sector is seeing a little bit of accountability for the first time. "Mining laws were not being enforced," says Mohanty, who filed the first court case against Vedanta's projects in Lanjigarh and Niyamgiri almost a decade ago. "It was a free-for-all for miners who did business by bribing officers and politicians."

Bhalachandra Sarangi, a local activist of the Communist Party of India (Marxist-Leninist), says the gram sabhas have established the forest dwellers' individual, community and cultural rights. The tribals, he says, would have agreed to a project such as a fruit processing unit that would help them earn some more money from the forest produce they sell. "But what will they get from mining?"

State government officials, however, defend industrial and mining projects. Umesh Chandra Jena, Deputy Director of Mines at Orissa's Directorate of Mines, says mining is responsible for only three per cent forest loss while road construc-

Dongria Kondh women at the gram sabha. The women are fond of ornaments such as earrings and multi-coloured hairpins

tion, irrigation and transmission projects take away much more, he says. Moreover, trees can be planted again on mined land. "Tata Steel's iron-ore mine at Noamundi and National Aluminium Company's Damanjodi project are prime examples of vegetation post mining," he adds.

Upadhyaya, the Kalahandi collector, says the issue has been heavily politicised and has harmed the state's investment climate. He feels that Maoists are also exploiting the discontent among tribals to strengthen their presence in the area. "Wherever there are mineral deposits locals will say they worship according to their tradition, but it is the state government which should take the final call," he says, adding that locals will benefit from industrial and mining projects.

Some social scientists seem to agree. "The long battle over Niyamgiri throws up some knotty problems," Barcelona-based researchers Leah Temper and Joan Martinez-Alier wrote on the website of Environmental Justice Organisations, Liabilities and Trade, a project that supports academics and environmental groups. "For one, exactly how much of a veto can local communities have?" asked the two researchers of Autonomous University of Barcelona. "This is not a question of property rights, since the minerals underground are owned by the state, and the land above ground is not owned by the villages."

So, what does the verdict of gram sabhas mean for the mining industry? Has this set a precedent that could fuel demands for similar people's courts to decide on industrial projects? They certainly can. But, say Temper and Martinez-Alier, it is unlikely that this will lead to allowing any community a veto on religious grounds over the use of land for industrial projects. For Vedanta and other companies in a similar situation, a lot depends also on next year's general elections. Until then at least, the future of mining hangs in the balance. ◆

Miners' Paradise

Mining leases given by the Orissa government

Mineral	No. of leases
Iron ore	133
Manganese ore	51
Bauxite	8
Lead and zinc ore	1

Source: Ministry of Mines Annual Report 2012/13

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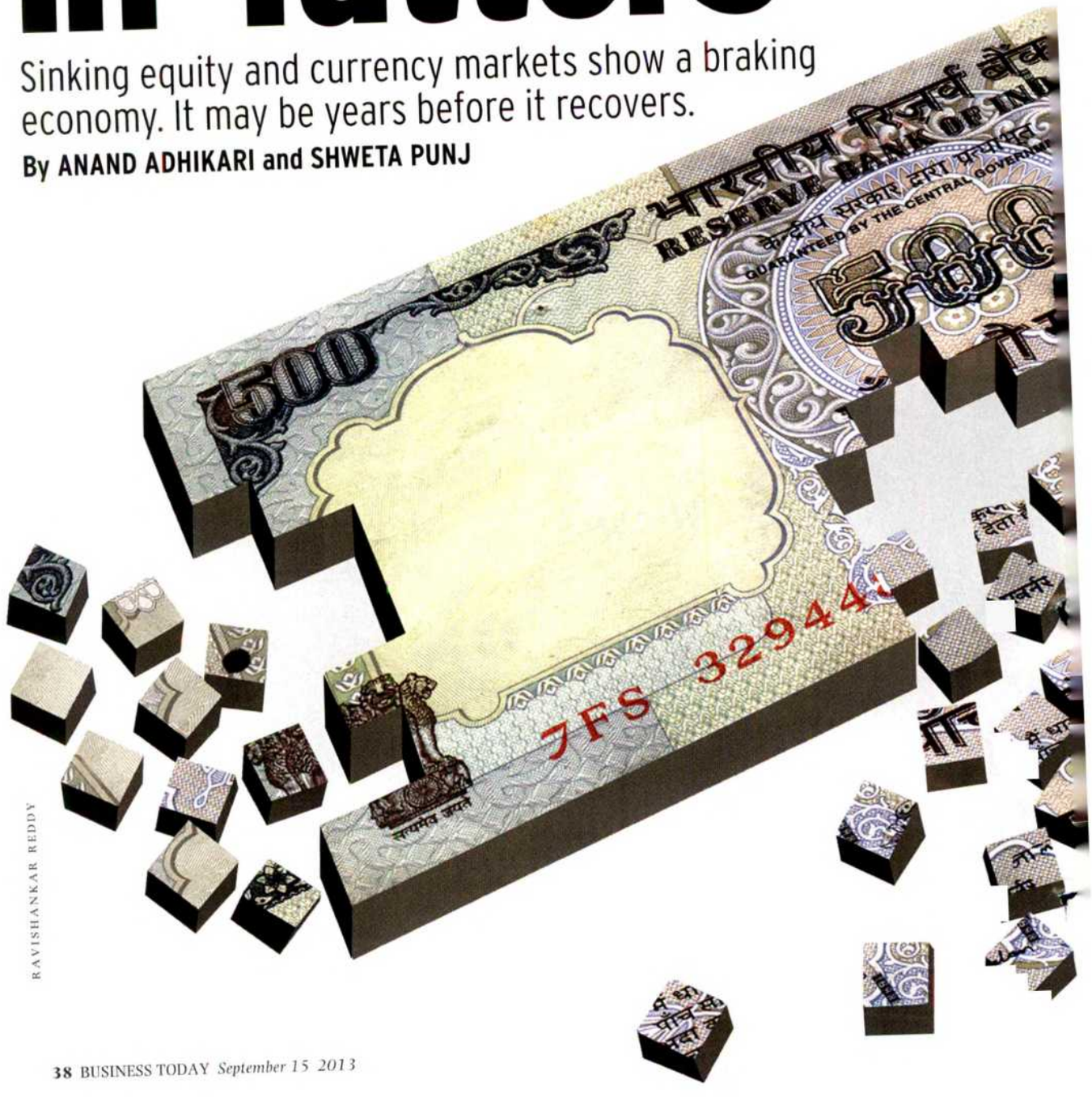
An Economy in Tatters

Sinking equity and currency markets show a braking economy. It may be years before it recovers.

By ANAND ADHIKARI and SHWETA PUNJ



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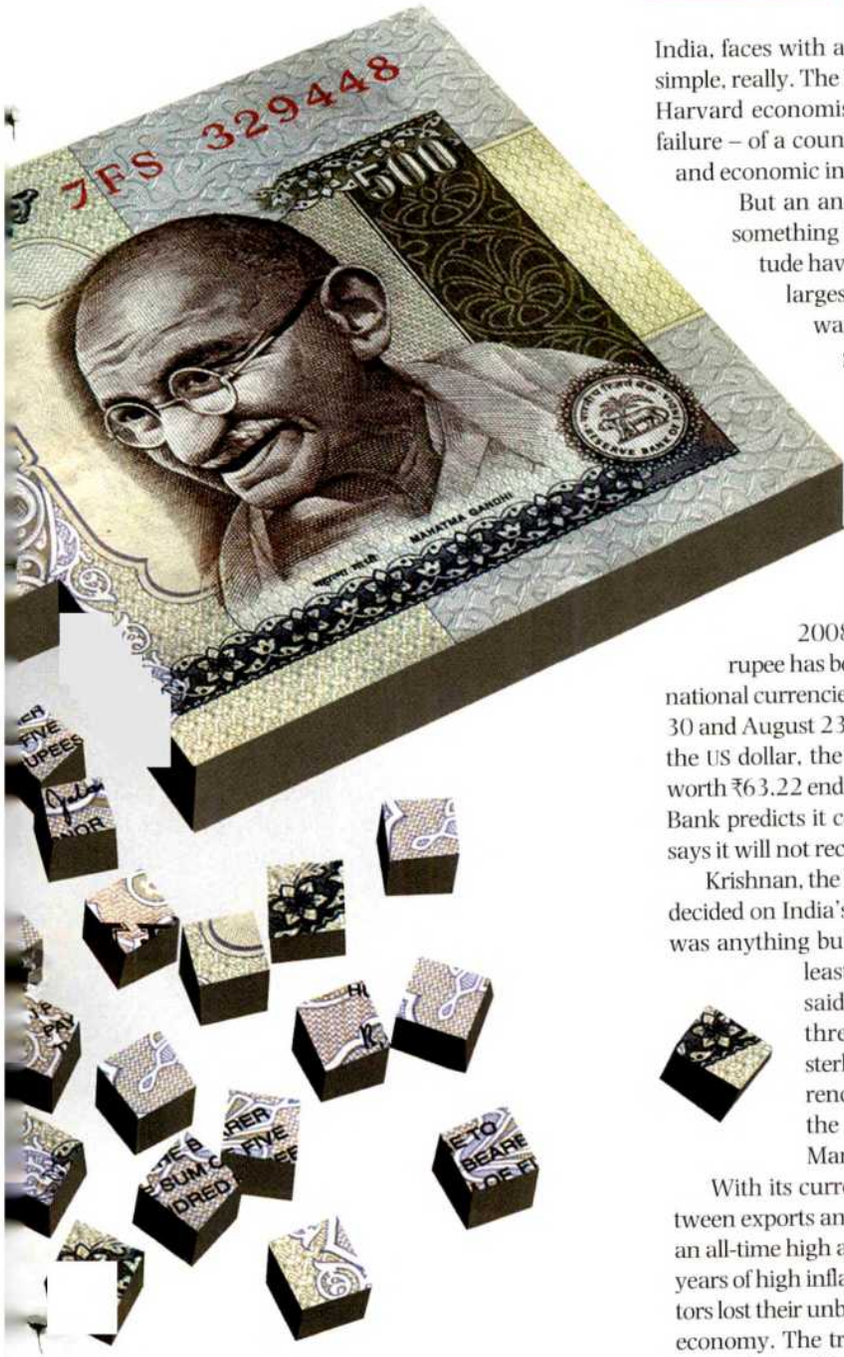


Why Nations Fail. K.P. Krishnan, the Indian finance ministry's point man for all things capital markets, is re-reading the book by two US economists Daron Acemoglu and James Robinson. Krishnan's second dive into the acclaimed book since its release last summer is to find answers to the deep problems his employer, the government of India, faces with an economy in a tailspin. The answers are simple, really. The Massachusetts Institute of Technology and Harvard economists argue that the economic success – or failure – of a country depends on the strength of its political and economic institutions.

But an anodised steel-like institutional framework is something India sorely misses. Years of political ineptitude have corroded the resilience of the world's third-largest economy by buying power. This despite warning lights on the government's dashboard going off regularly for at least two years now (See *BT Retro*, page 50). When it rains, it is said, it pours. By the time India's stock markets closed on August 16, trading desks were in shock – the Bombay Stock Exchange's benchmark index, Sensex, had lost nearly four per cent, the sharpest single-day fall in four years. The gradual decline began in early 2008, after the rupee-dollar rate touched 39. The rupee has been floating down like a feather against international currencies for nearly four months now. Between April 30 and August 23, Indians had to pay nearly one-fifth more for the US dollar, the world's preferred currency. The dollar was worth ₹63.22 end of trades on Friday, August 23, and Deutsche Bank predicts it could touch ₹70 in a month. Credit Agricole says it will not recommend buying the dollar at below ₹75.

Krishnan, the bureaucrat who was part of a crack team that decided on India's response to the 2008/09 global meltdown, was anything but rattled at a recent seminar in Mumbai. At least, he didn't show it. The battered rupee, he said, "is a passing threat... this is a short-term threat." The next day, August 21, the pound sterling breached the ₹100 mark. The Indian currency has depreciated nearly one-fourth vis a vis the pound sterling since mid-March: ₹80.71 on March 12 versus ₹100.32 on August 23.

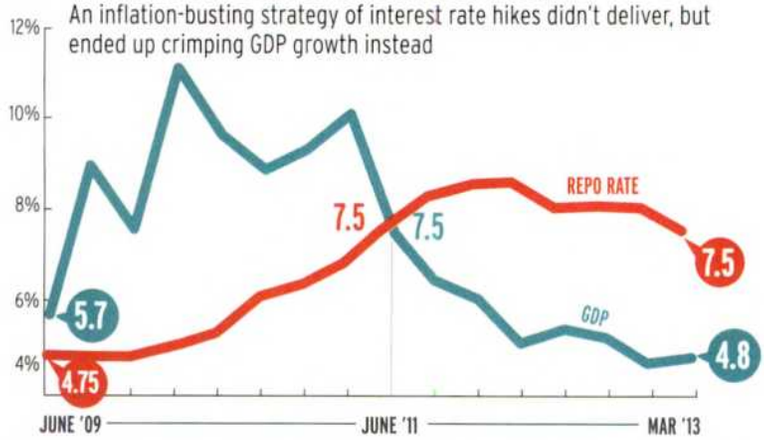
With its current account deficit (CAD) – the difference between exports and imports of goods, services and transfers – at an all-time high and a currency that had not shed value despite years of high inflation, it was only a matter of time before investors lost their unbridled optimism from the days of a once-robust economy. The trigger for that volte face came from half way across the world. On the back of intermittent signs of a recovery, the US Federal Reserve has hinted the end of low-cost money on

GROWTH SPOILERS

Why the Indian economy is sinking

Over-cautious Monetary Policy

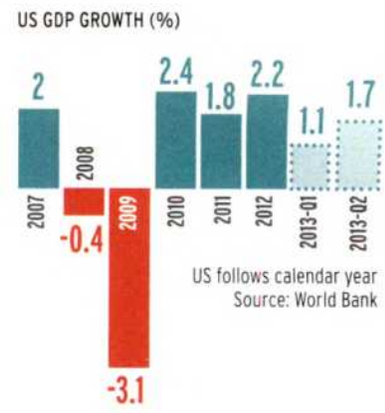
An inflation-busting strategy of interest rate hikes didn't deliver, but ended up crimping GDP growth instead



GDP at end of quarter. Repo rate, the rate at which RBI lends to banks, changed to 7.25% in May 2013
Source: RBI

Upswing in US Economy

FIIs leave emerging markets like India, on three years of sustained US growth



US follows calendar year
Source: World Bank

Macroeconomic Mismanagement

- Delay in finalising SEZ policy to boost exports
- Decision on increased FDI in insurance taken after a decade of vacillation
- Little effort to improve competitiveness of exports
- Effort to curb gold imports made too late
- Irregularities in 2G spectrum and coal mining block allocations
- Policy decisions on land acquisition and coal linkages neglected affecting two major sectors - road and power
- Delay in implementing tax reforms such as GST and DTC

tap, which means monetary tightening and consequent rise in the interest rates there. That was the cue for global funds to suck back billions back into the world's biggest economy from emerging markets. India was not spared. Between August 16 and 22, nearly foreign institutional investors were net sellers of ₹2,975 crore worth shares. FIIs are restive in other markets such as Indonesia, Brazil and Mexico.

Vulnerable India

Clearly, the Indian economy is in a much more vulnerable state than it was at the start of the financial crisis in September 2008. Then, India had a credible response to the meltdown set off by the collapse of investment bank Lehman Brothers. In a series of measures, the government infused liquidity into the system, cut duties, and overall boosted demand. The stimulus cost an estimated ₹1.85 trillion. (One trillion equals 100,000 crore.) Such spending could be afforded only because India was growing at a fast clip: GDP growth was 9.4 per cent in 2006/07 and 9.3 per cent 2007/08, the two years preceding the Wall Street meltdown. And tax revenues had jumped 20 per cent in each of the years. The stimulus worked wonders: after a relatively slower GDP expansion of 6.7 per cent in 2008/09, growth bounced back to 8.6 per cent and 9.3 per cent each in the following two years.

Cut to today: GDP is growing at a much slower rate of five per cent with predictions that it will dip to a sub-five per cent level. Which means, the state treasury is looking less healthy, especially when expenses are rising at an unexpected pace. For instance, India sets aside more than one-third of its import bill for crude oil imports. Oil prices have risen about $12 a barrel in the last three months – a $1 increase in crude prices is a $900 million hole in India's trade balance – but they are expected to stay around $110. That's the good news but the bad news is that some 20 million tonnes per annum (mtpa) new refining capacity coming up in the West Asia region will mean a lower demand for India's fuel exports, which brought in nearly $59 billion in 2012/13.

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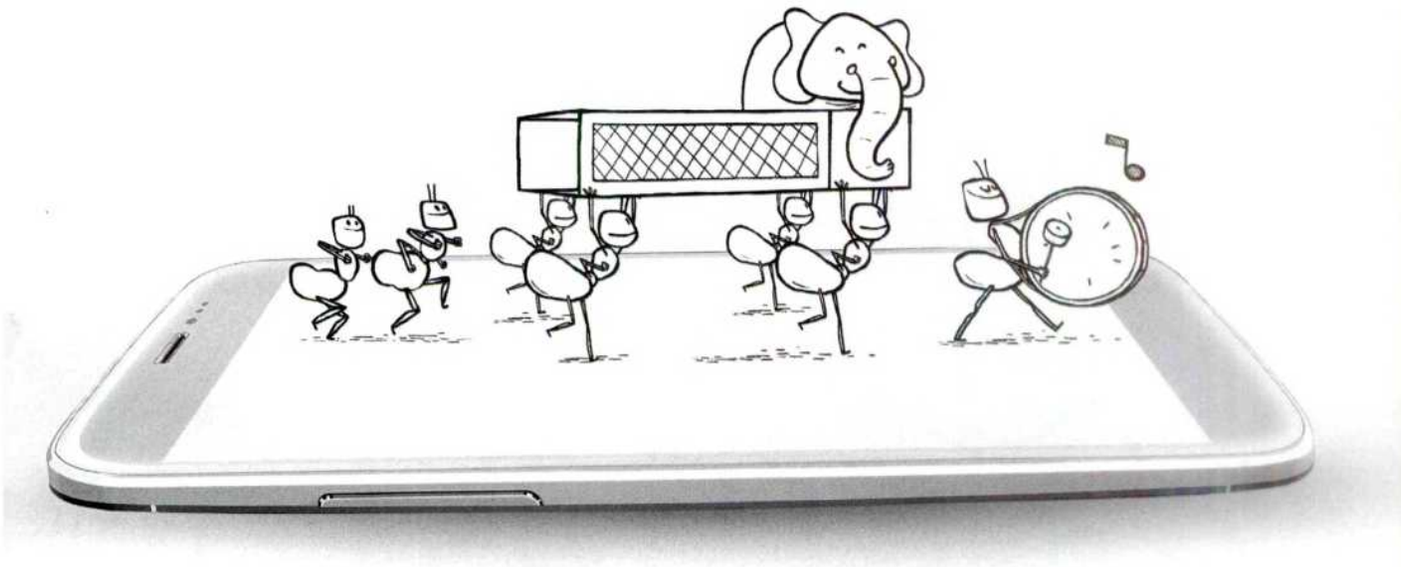

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Dependence on foreign debt has risen considerably

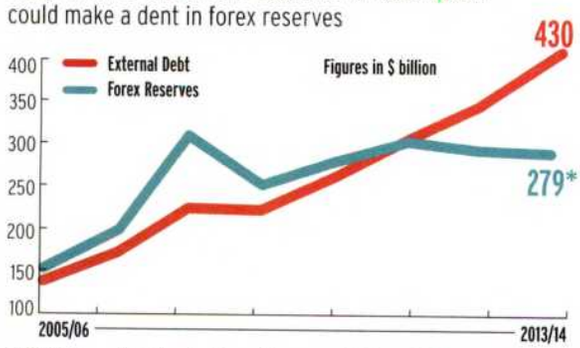
Health Check

	External debt	External debt to GDP ratio	Short-term debt to total debt ratio	Reserves to total debt ratio	Short-term debt to reserves ratio	Reserve cover
2007/08	$224 bn	18%	20.4%	138%	14.8%	14.4 months
2012/13	$390 bn	21.2%	24.8%	74.9%	33.1%	7 months
Significance	Lower the better	Lower the better	Lower the better	Higher the better	Lower the better	Higher the better

Source : RBI

Foreign Debt Exceeds Forex Reserves

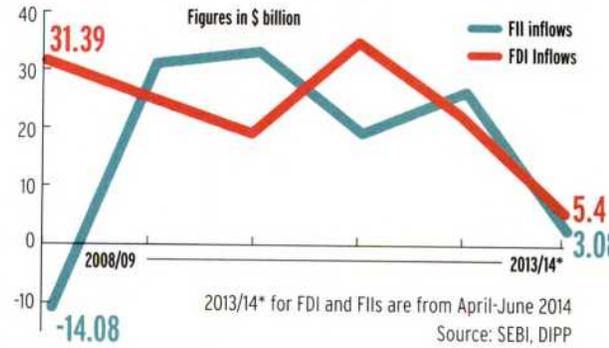
A big chunk of short-term debt due for redemption could make a dent in forex reserves



2013/14 External debt projections / Reserves till August 2014*

FIIs and FDI Inflows Slowing

Hence the government is forced to rely on debt, creating flows such as ECBs and NRI deposits



2013/14* for FDI and FIIs are from April-June 2014

Source: SEBI, DIPP

If that's not all, the impact of the depreciating rupee will blow a hole in India's finances. "In rupee terms, if this slide continues, the effect will be huge," says Vandana Hari, the Singapore-based Editorial Director at energy specialist Platts Asia. Each rupee that the Indian currency depreciates on the US dollar, ₹10,000 crore gets added to the country's import bill (about ₹6.7 trillion in 2012/13). The dollar has become expensive by nearly ₹11 since May. CAD, at $88 billion was 4.7 per cent of GDP in 2012/13, nearly double the 2.5 per cent level that RBI thinks is sustainable. Finance Minister P. Chidambaram is confident he will keep CAD under $70 billion this fiscal year but not all – the markets, for sure – are convinced.

Much of that scepticism emanates from what some think as policy failure over rising gold imports in recent years. Today, gold is the second-largest import item after crude and petroleum products, beating electronics to third place. The surge in gold imports is both a consequence of unabated inflation which gold is used as a hedge against, and a rise in prices of the yellow metal. CAD is usually covered by foreign inflows – both institutional investors and foreign direct investment (FDI) – or by dipping into the country's forex reserves.

With capital flows drying up, India will tread the slightly-risky path of using debt to finance CAD. "We have no option but to rely on debt inflows in the immediate term," says Paresh Sukthankar, Executive Director at HDFC Bank. A recent report by ratings firm CRISIL showed corporate India had a outstanding

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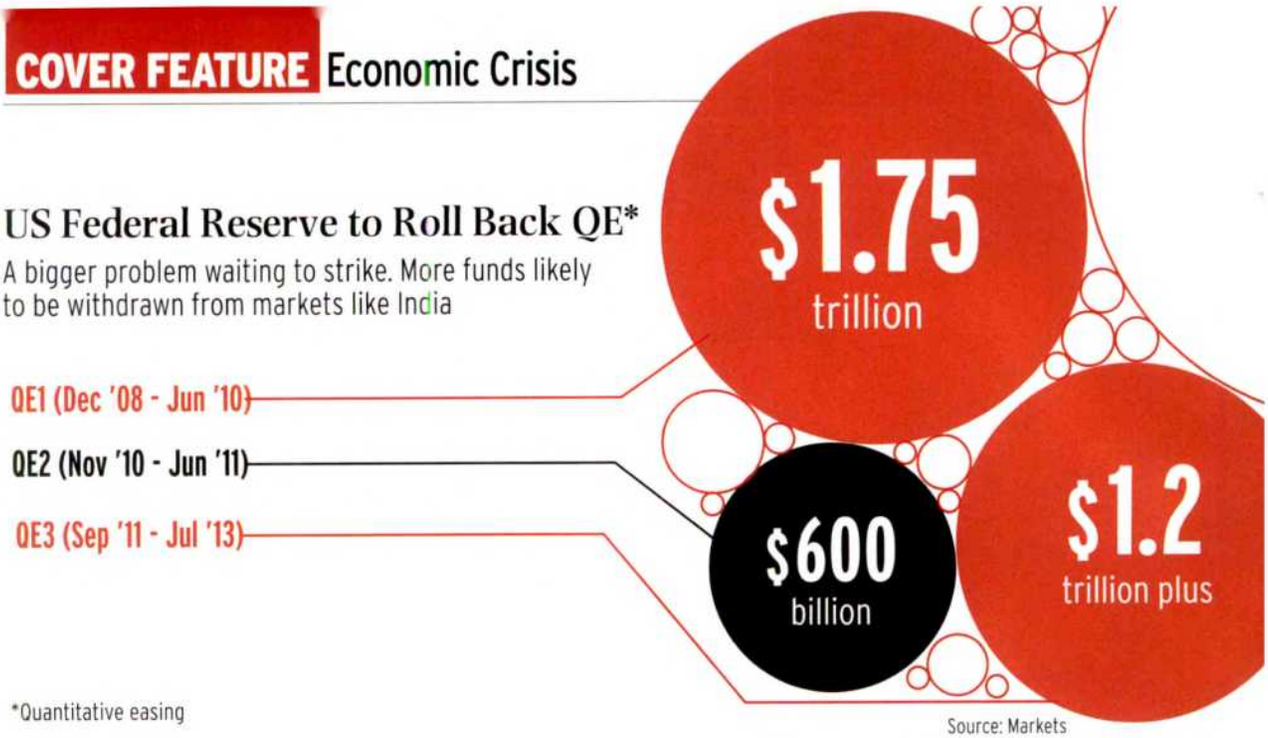
US Federal Reserve to Roll Back QE*

A bigger problem waiting to strike. More funds likely to be withdrawn from markets like India



*Quantitative easing

Source: Markets

ILLUSTRATIONS: RAJ VERMA

foreign exchange debt of over $200 billion as of March 2013, of which close to 45 per cent is short term. The short-term foreign debt outstanding in March 2013 is nearly $100 billion, which is to be redeemed by March 2014. Forex reserves stood at $279 billion as of August 13.

In simple terms, this means a 2008-like strategy is not an option before India. "After and in 2008 and 2009, we survived because of the stimulus, which was a consumption stimulus. But we are not in that position anymore," says Devendra Kumar Pant, Chief Economist, India Ratings and Research.

The government's response to the rising CAD and overall sagging economy has proven to be too little, too late. To be fair, Chidambaram saw things early. Soon after he moved ministries to Finance from Home in July 2012, the government took bold decisions on easing rules for business – widely billed as "reforms 2.0". The reference was to the first set of economic reforms that Manmohan Singh, today prime minister, ushered in as finance minister in 1991.

Chidambaram was at the forefront of the changes announced that seemed to shake the government out of the stasis it was in. With an aim to trim subsidies, diesel prices were raised by ₹5 a litre and supply of subsidised cooking gas was capped. Up to 51 per cent overseas ownership was allowed in multi-brand retail and 49 per cent FDI permitted in airlines. Other changes eased FDI in telecom and oil and gas. But save for the ₹2,058-crore deal between Abu Dhabi-based Etihad Airways and India's Jet Airways, little came by way of foreign inflow. Without growth, foreign investors will shun India, says Samiran Chakraborty, Head of Regional Research, South Asia, Standard Chartered Bank. "The message that is going out is that we will push for reducing inflation and financial stability, and that growth is sacrificial." So much so that the government's recent measures of higher import duties on gold and silver, clamping down on foreign investment by companies, easing external commercial borrowings limits, and permitting quasi sovereign bonds have had little effect on the ground.

Chidambaram is confident that he will keep CAD under $70 billion this fiscal year but not all – the markets, for sure – are convinced

Caution: Pain Ahead

Partly, it is monetary policy that tripped Chidambaram's efforts over the past year. In much of his five-year term, RBI Governor D. Subbarao, due to retire on September 4, single-mindedly waged a war against inflation. Questions are now being raised on the pace of interest rates hikes and whether his stance on inflation, widely seen more due to India's supply constraints and less a function of excess money sloshing around, was the optimal one. In the second week of August, in a debate in the Rajya Sabha on the state of economy, Chidambaram said the RBI must fo-

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"Rupee is a symptom of the problem, there is a crisis of confidence and the credibility of policymakers has taken a hit"

***Sonal Varma,** India Economist, Nomura*

cus on growth and employment. (See *The Growth Spoilers*).

But that is easier said than done with consumer price inflation running in double digits for over a year. A direct casualty is crimped household consumption and savings. Even wholesale price inflation, indicative of the pace of price rise in the broader economy, which was on a downward spiral for some time, has started to inch up and is hurting business. Gujarat food processor Kamdhenu Foods is unable to take large orders in recent months. "We couldn't accept an export order for 6.5 tons of bitter gourd slices because its price has jumped up from ₹10 a kilo three months back to ₹25 a kg now," says Bipin Shah, General Manager.

With fuel prices set to rise soon, bankers say resultant inflation will again put pressure on interest rates. The recent monetary tightening is already having a spillover impact: Axis Bank, HDFC Bank and ICICI Bank have hiked lending rates.

The banking sector, already under stress due to higher bad loans, is getting shocks from new industries as the effects of a decelerating economy spread. State Bank of India, the country's largest lender, got a shock in the first quarter of 2013/14 from the rising slippages in the agricultural sector. There is another looming danger in infrastructure loans. "There are issues of asset liability mismatches in the banking industry because of shorter maturity deposits and longer term loan to infrastructure companies," says S. Viswanathan, a managing director at SBI.

Unfortunately for India, then, options that will yield immediate benefits are limited. The economy is unlikely to shake off its sluggishness in the medium term – until 2015/16 or even later, according to some. Sonal Varma has a list of big ifs to see the needle will move on the economy. "If you start making the right moves, if there is change of guard and if there is a clear focus in reviving growth, it will take about 12 to 18 months for things to start turning," says Varma, Executive Director and India Economist at Japanese financial house Nomura. "The rupee is a symptom of the problem, there is a crisis of confidence and the credibility of policymakers has taken a hit."

The Congress Party-led United Progressive Alliance government just does not have enough time or numbers with to kickstart large-scale reform measures with general elections scheduled before the summer of 2014 and key sections of the UPA are already in election mode, as also the

Is Rupee Depreciation Making Indian Exports More Competitive?

Value of exports has been rising, even in dollar terms

Year	Exports	Currency Value
2006/07	124	43.59
2007/08	163	39.97
2008/09	185	50.95
2009/10	179	44.14
2010/11	251	44.65
2011/12	306	51.15
2012/13	300	54.38
2013/14*	330	70

*2013/14 export projection based on PMEAC estimates, rupee value as against US dollar by experts
Currency figures are for year ending in March. Exports in $ billion

Source: Ministry of Commerce, RBI

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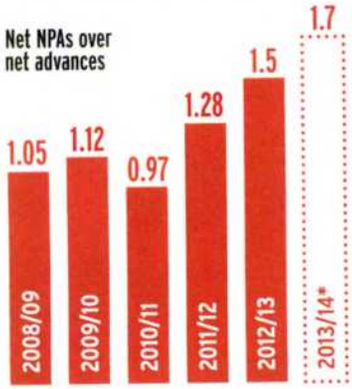
Banking Trouble

Deteriorating asset quality



*Projected

In Bad Company

Many more companies are looking to restructure debt

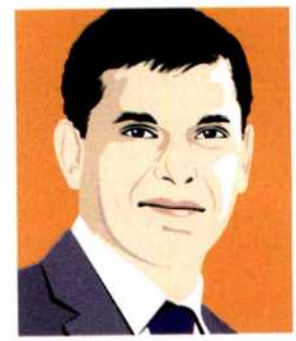
Outstanding at the end of March in each year. Figures for 2013/14 are as on June 2013
Sources: CDRindia

principal opposition coalition, the National Democratic Alliance, led by the Bharatiya Janata Party. Result: a polity distracted from the needs of the economy. "We don't have a thought leadership for the society that will emerge tomorrow. We need to do quite a few things to make this [growth] work," says Kishore Biyani, Chairman at retailer Future Group. Pre-election surveys show regional parties gaining strength at the hustings, likely increasing political instability at the Centre – which doesn't portend well for the economy.

Where does the economy go from here? GDP growth is already at a 10-year low of five per cent in 2013/14 against 6.2 per cent the previous year. CRISIL is downright bearish. "All our forecasts – growth, inflation, fiscal deficit and CAD – are under revision and they will be revised unfavourably," insists D.K. Joshi, Chief Economist at the firm. One voice sounds ominous ahead of the release of GDP data for the April-June quarter on August 30. "The way the Indian economy is going, it is testing my optimism," Kaushik Basu, Chief Economist, the World Bank, said recently at a seminar in New Delhi. Basu, who was Chief Economic Adviser to the government of India until a year ago, is predicting a 4.8 per cent growth for April-June.

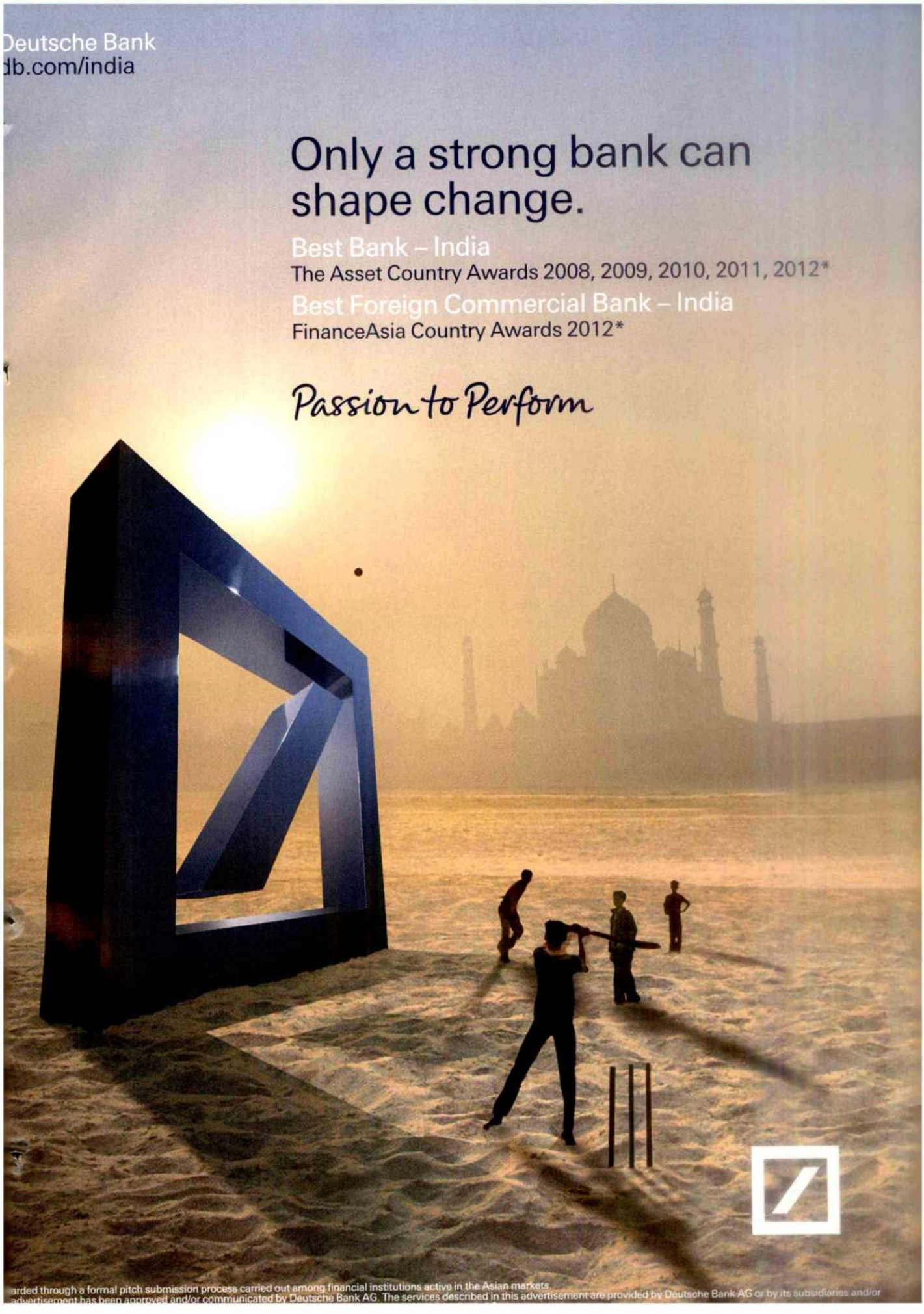
Still, two factors hold out some hope. The biggest drag on the economy comes from the services sector and industries, which together make for about 85 per cent of India's GDP. But it is agriculture, despite its smaller contribution to the economy, which could stop the economy from stalling. The Indian Meteorological Department has recorded normal to excess rainfall in 30 of the country's 36 meteorological sub-divisions between June 1 and August 14. The area-weighted rainfall has been 13 per cent above normal.

There has been a notable rise in area under cultivation of pulses (25 per cent more), coarse cereals (15 per cent) and oil seeds (15 per cent) this season from 2012/13. Total crop area sown has increased over nine per cent. "If you compare agriculture output, we will achieve the same growth that we did in 2011/12, which will have a deeper impact on inflation," says Himanshu, an agri-economist who teaches at New Delhi's Jawaharlal Nehru University. (He goes only by his first name.) Farm output in 2011/12 grew 2.5 per cent from the year before – it was 1.9 per cent in 2012/13. Nomura has a four per cent target for agriculture this year. "I expect very strong agriculture growth this year, which should help the rural economy," says Adi Godrej, Chairman of the locks-to-shampoos Godrej group. Farming is the primary economic activity for some 70 per cent of Indians.



Raghuram Rajan's academic past says little of his monetary DNA, but much is hoped of the next RBI governor

The second set of strands in the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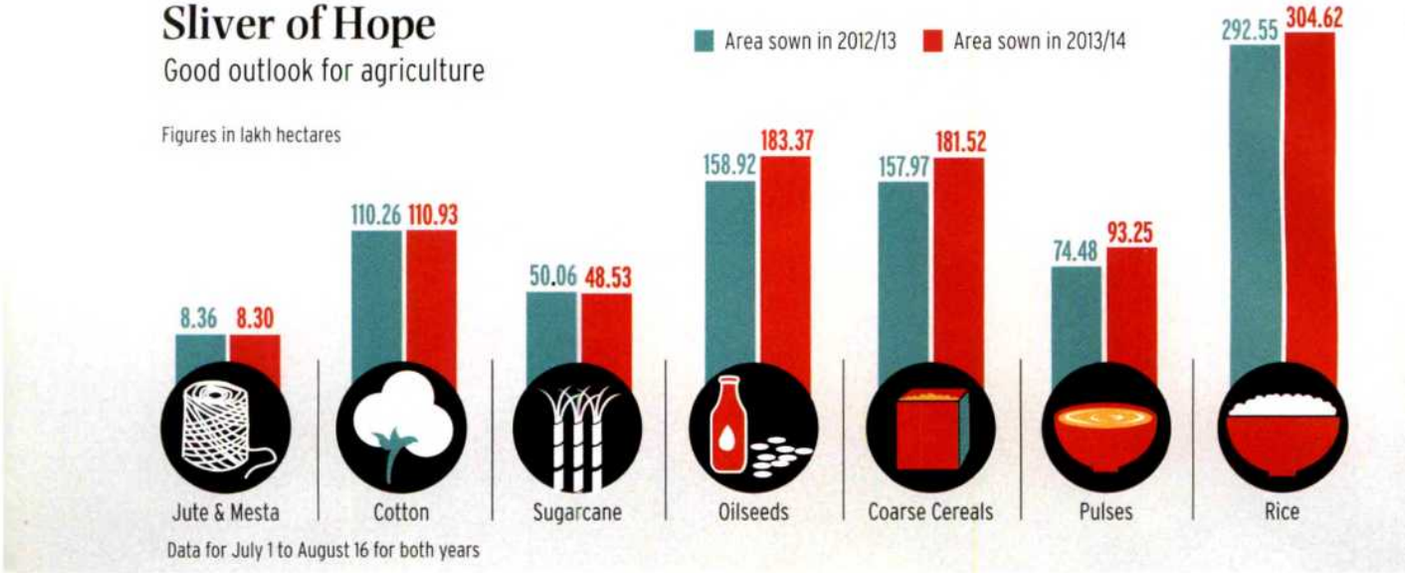
Sliver of Hope

Good outlook for agriculture



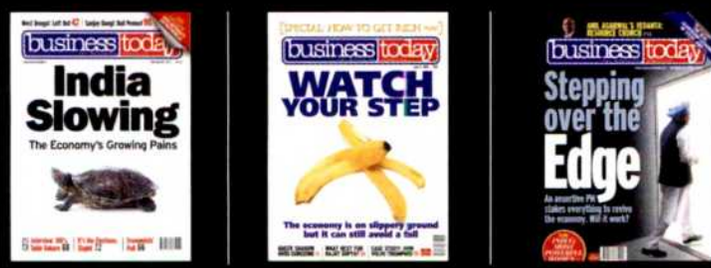
wind that augurs well for the economy is the five state polls and the general elections. Odd as it sounds, elections are good news for the economy, for money – often black, unaccounted for cash that otherwise will not find its way into the system – boosts growth. "Five states are going for election, and with a general election, election spending will provide a stimulus," says Ajit Ranade, Chief Economist at Aditya Birla Group, which runs metals to telecom businesses. Other small gains to be had in the coming quarters include the impact of a falling rupee on exporters.

Then, there is the man being billed as the one with the silver bullet: Raghuram Govind Rajan. The RBI governor-designate has not spoken of his new assignment and little in his academic past indicates his monetary DNA, if any. But the street has already set expectations for him. In the first six months, says Rajesh Mokashi, Deputy Managing Director at ratings agency Care Ltd, Rajan's priority should be to balance inflation and growth dynamics. In the longer term, he should focus on asset quality in banking, fix potential asset-liability mismatches on bank books, and issue new banking licences.

Time will tell if Rajan can deliver growth even while reining in inflation. But, to be sure, India's fundamentals are strong in the medium and long term. Hundreds of thousands, if not millions, are joining the middle class even at a five per cent rate of GDP expansion. Its workforce is adding a million every month, making it the youngest among major economies. Sanjeev Sanyal, global strategist at Deutsche Bank in Singapore, points out that China has reached the end of its demographic boom. "This offers a good opportunity for India to take the place vacated by China," he says. But, he adds, India has to get its act right in terms of governance, property rights and primary education. In other words, building institutions – the biggest takeaway from *Why Nations Fail*. Sometimes the best fixes are found in truisms. ◆

ADDITIONAL REPORTING BY ANILESH MAHAJAN, TASLIMA KHAN AND SUPROTIP GHOSH. RESEARCH INPUTS BY JYOTINDRA DUBEY

BT RETRO



More than two and a half years ago, *Business Today* warned in its cover story *India Slowing*, that the Indian economy was showing worrying signs (Feb 20, 2011.) Further cover stories tracking the decline include *Watch Your Step* (July 8, 2012) and *Stepping Over the Edge* (Oct 14, 2012). See *businesstoday.in/archives-sep1513* for previous stories

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COLUMN | GLENN LEVINE

What the Government Needs to Do Now

Despite the crisis, a clear message must be sent to the investor community that India is open for business

ILLUSTRATIONS BY RAJ

There was an initial spurt of excitement after the new Reserve Bank of India governor was announced. Professor (Raghuram) Rajan is obviously highly accomplished, but there is only a very limited amount the central bank can do, and in India the [RBI] has made some decisions over the past few years that I haven't particularly agreed with. I think it only illustrates the impotence of the world's central banks, and particularly in India, where the buck really stops with the central government. This explains a large part of the current troubles. I think if there is a solution then it needs to come as well from the central government.

There is plenty the government can do – push through reforms like the land acquisition bill, GST (goods and services tax), maybe even look at the labour laws, but what the government needs to do is send a clear message to the business and investment community that India is open to business, is friendly to investors, it favours economic growth, openness, investor transparency, rather than revert to knee-jerk reactions to every bad piece of economic news. What happened [on August 14] was interesting. The rupee was going down; the government wanted to act to stem its fall. The way in which it acted did absolutely nothing to reassure international investors on their ongoing concerns on the Indian economy and the way it is being managed. So after it stabilised for half a day or so the rupee continued and even accelerated its downward trajectory. That move (was like) going for a band-aid measure that made it more difficult for Indian corporates to do business abroad. Why on earth, when your economy is struggling, would you want to handicap your business leaders, why you would want to tie their hands, is beyond me. This was interpreted correctly as an impotent measure which fell well short of the sort of signal that the government needs to send.

If the government enters a sustained period of pro-reform and pro-business policymaking, that is really the way it can send a message to the business and investment communities that it is trying to turn things around. But I don't think there is much hope of that. A couple of months ago I bumped my year-end rupee forecast from 60 to 70 (to the US dollar) which was a fairly dramatic shift. I held my breath at the time, but the way things have worked out has done nothing to deter me from my forecast.

The risk of India's foreign debt depends on the duration of the loans. It strikes me as slightly dangerous but not catastrophic if the economy is growing and the loans are of long duration. The rupee has somehow become the core focus of the economy, including for the central bank, and that is not a good way to conduct policy. The RBI was very slow to lift the cash rate

as inflation rose through 2010, and has been equally slow on the downside, in cutting rates. My view is that it could have continued to cut rates. This notion of targeting the rupee as part of your monetary policy is not the way to go. Now by drawing attention to the problem, it has wedged itself into this position where it needs to defend the currency by not cutting interest rates any more. If it had just cut (rates) and said it doesn't mind if the rupee goes to 60 or 65, that would have sent a clearer and more positive message.

We have no way of analysing or forecasting sentiment. All it can do is through a steady and continued commitment to the economy and business continuity. Certainly, at the moment the central bank is not the biggest problem the Indian economy faces. The political gridlock is not going to improve – we saw how the Budget session (of Parliament) broke up a few days early because it was becoming pointless. The problem is that there was some momentum in the wake of the reforms the government announced in (August) 2012 and it needed to follow through on that very quickly – or the momentum would be lost. With the spectre of the 2014 elections looming the government would become a lame-duck administration and it seems it has meandered towards that stage. The rupee is the most sensitive barometer of what has gone wrong with the economy.

Mark Twain said: "History does not repeat, but it rhymes." There are precedents and you can take lessons from what happened in the lead-up to the Asian financial crisis (of 1997/98). What that showed was that when there are a lot of external liabilities and foreign loans, it leaves you highly exposed to the whims of the foreign-exchange currency market, to investor sentiment, and eventually that house of cards starts to fall. I think India is going to be all right, I don't think there will be a crisis there. Indian policymakers will always do the right thing eventually, and whether they take it right up to the last minute in avoiding some sort of crisis... One would hope they will not. They know what needs to be done,

Mark Twain said: "History does not repeat, but it rhymes." You can take lessons from the lead-up to the Asian financial crisis

but the political realities preclude it. So I am reasonably confident that there will not be a financial or balance of payments crisis in India. But given where we are and the political realities, we are in for another 12 to 18 months of quite weak economic growth and some financial instability. The inherent limitations of the system point to sub-optimal outcomes for a while longer. ◆

AS TOLD TO CHAITANYA KALBAG

Glenn Levine *is Senior Economist at Moody's Analytics (Australia) Pty Ltd, based in Sydney. These views are personal*

THE MOST POWERFUL WOMEN IN INDIAN BUSINESS

More than half the 30 women featured in *Business Today*'s listing this year are debutants.

Curated By SARIKA MALHOTRA

Many dream. But only a few, gifted with talent, tenacity and luck, manage to realise their dreams. As in previous years, our annual listing of the Most Powerful Women in Indian Business, the 10th, celebrates the triumphs – achieved in the face of numerous challenges, including at times their own inhibitions – of women who have succeeded in living their dreams.

No longer are banal comparisons with the other gender required. These women are comfortable in their own skins, most managing career and home with equal elan.

The number of such women is also growing as evinced from the fact that 16 of the 30 women featured this time are debutants on the list. First-generation entrepreneurs, marque deal makers, meticulous litigators, housewives turned managing directors (MDs), marketing wizards, chefs, PSU heads, IT professionals – all figure in our diverse list in a separate section, 'New Entrants'.

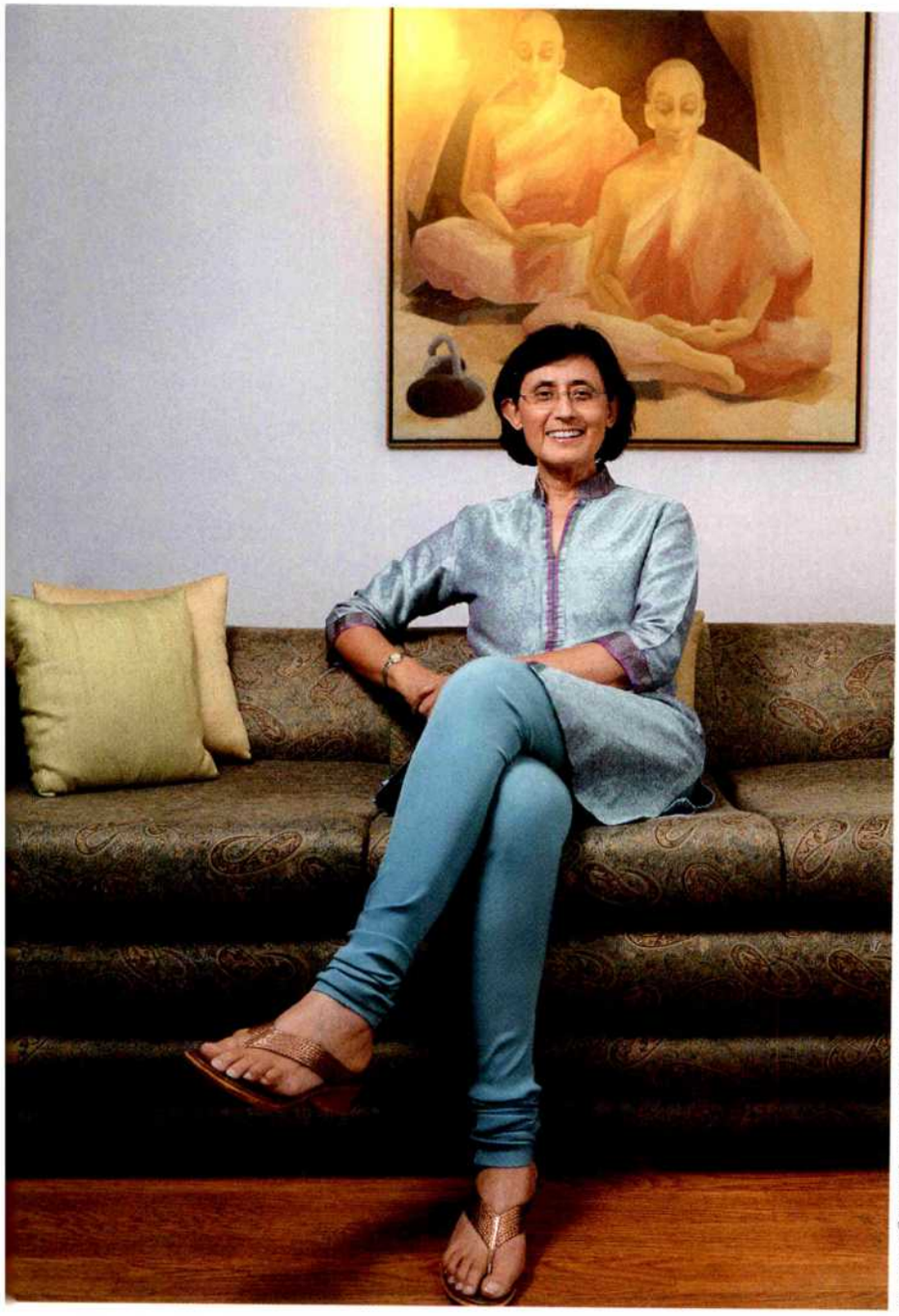
The 30 apart, we also have three women this year moving into the coveted 'Hall of Fame' – reserved for those who have made it to the list at least seven times. In this section, with which our package opens, Britannia Industries MD Vinita Bali, Multiple Alternate Assets Management MD and CEO Renuka Ramnath, and HDFC MD Renu Sud Karnad recall the breakthrough moments of their remarkable careers in their own words.

Each is a story of hard work and personal sacrifice culminating in iconic achievement.

BY VINITA BALI
BRITANNIA INDUSTRIES

Journeys of Discovery

Britannia's managing director says her travels overseas helped her understand diversity and adapt to different environments and people



NILOTPAL BARUAH/www.indiatodayimages.com

The corporate world was not something I had planned to enter. It just happened to me. As I reflect on where and how I have spent my time, the overarching theme is one of going with the flow and pursuing a path that was interesting and different, rather than conventional. That has led to my living and working in six countries on five continents, traveling to about 45 countries and, most importantly, experiencing the richness and diversity of our world – both in its glory and its darkness.

I was keen on joining the foreign service after graduating in Economics (Hons) from Lady Shri Ram College, Delhi. But I needed a Master's degree to write that exam. I experimented for a week each at Delhi School of Economics and Jawaharlal Nehru University for an MA as I had admission to both. That changed when I made it to the Indian Institute of Management-Calcutta and the Jamnalal Bajaj Institute of Management Studies, Mumbai. At that point, I thought living in Mumbai would be fun and that led to joining JBIMS. The plan still was to write the foreign service exam after my Masters in Business Administration. However, I got a job at Voltas even before I completed the course. Voltas gave me a wonderful break – I launched Rasna, the fruit drink concentrate that became an instant success and is still doing well.

After a brief stint with Voltas, I moved to Cadbury where, as a young brand manager, I had the privilege of presenting to the then global chairman, Sir Adrian Cadbury, while on

his visit to India. That was a special moment and is forever etched in my memory. At Cadbury, I got a scholarship from Rotary International in 1982 to study abroad and jumped at the opportunity. It was a great experience to be a student in the US. I loved the flexibility and the eclectic nature of the education there. I did an internship at the United Nations in New York and began to appreciate the vastness of our world, as well as the common and uncommon issues countries were trying to address. I made friends with people from around the world and learnt about their experiences in Vietnam, South Africa, Cambodia, etc. Soon after, Cadbury offered me a Senior Brand Manager role in the UK. I launched the first aerated chocolate called Wispa, which was an instant success.

At that time (1984-1986), it was rare for marketing people to work overseas. I was the first marketing person from Cadbury India to work in the UK. Cadbury was special for another reason. It gave me the opportunity to work in Nigeria and South Africa where I headed the sales and marketing functions and was also on the boards of those companies in the early 1990s. This led to a job with The Coca-Cola Company, where my first role was worldwide marketing director. My other roles at Coca-Cola were equally exciting and challenging – vice president of marketing for Latin America, division president of the Andean division, etc. This meant relocating to Santiago and learning Spanish. The reason I share my travelogue is because it gave me the opportunity to explore different cultures and geographies, to understand diversity, to learn to adapt to new environments, people and situations and most of all, to appreciate differences in thought and perspective.

Coming back to India in 2005 for personal reasons brought me to Britannia. This has been another unique experience, as the India I came back to after 16 years of overseas assignments was very different from the India I had left in 1990. The India of 2005 was dynamic, vibrant, confident and full of hope and optimism. All of that has changed considerably in the last eight years, too!

EACH OF US IS RESPONSIBLE FOR BUILDING A GOOD SOCIETY WHERE THERE IS EQUITY, WHERE RULES ARE FOLLOWED... WHERE THERE IS CLARITY IN TERMS OF GOVERNANCE AND DIGNITY OF LIFE FOR ALL

Today's challenges are paradoxical. On the one hand, the world is more connected through the Internet, social media, etc, but on the other, there is a great need to connect at the individual level. In the midst of growth, we have witnessed turbulence and not seen nearly as much human development. The interconnected world has created high aspirations, which we are unable to fully harness into positive action so far.

Each of us is responsible for building a society where there is equity, where rules are transparent and followed, where people feel understood and respected, where there is clarity in terms of governance and dignity of life for all. I believe good business and good society cannot be divorced.

BY RENUKA RAMNATH
MULTIPLES ALTERNATE ASSET MANAGEMENT

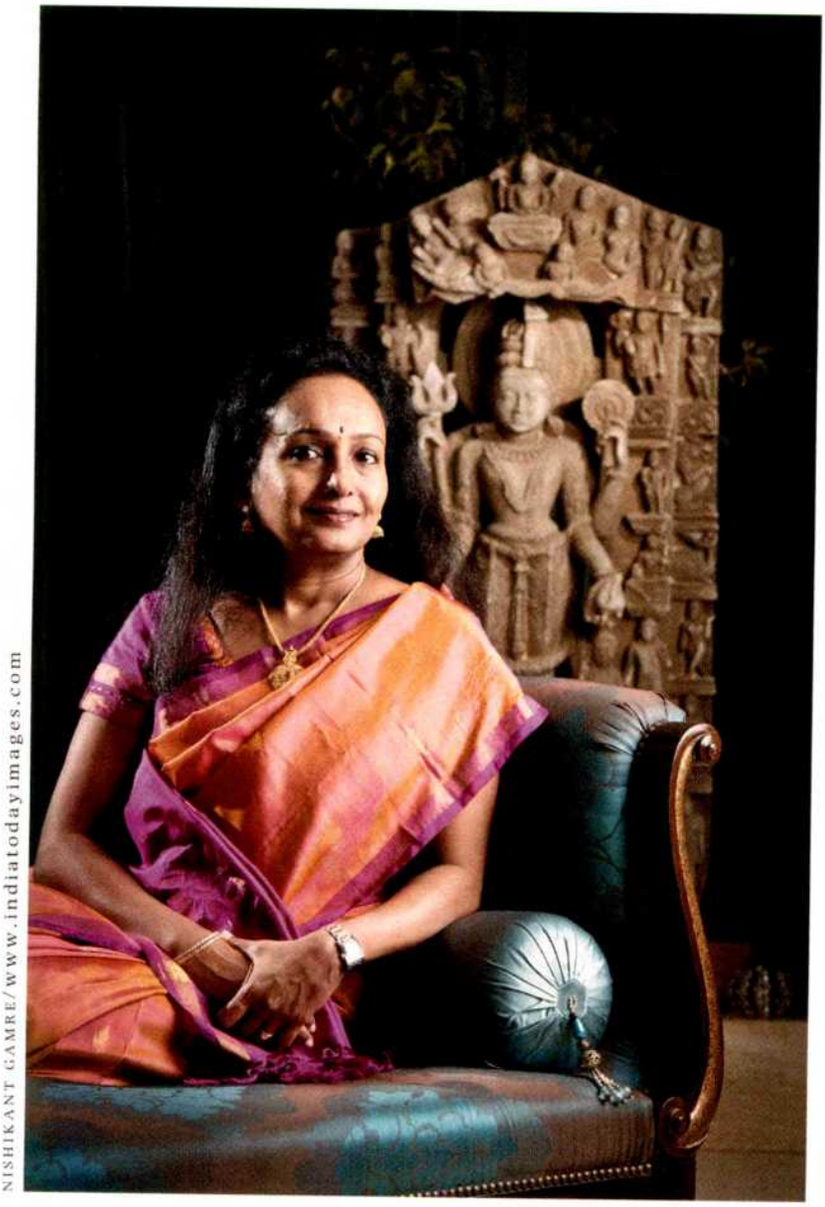
Second Splash

How the MD and CEO of the private equity firm re-established herself after quitting ICICI

In life seldom does one get the opportunity to reset to zero and reboot all over again. Stepping away from the ICICI group and treading the entrepreneurial path to create Multiples was a journey of metamorphosis from my past identity of a successful corporate leader to one of a budding entrepreneur.

The past four years as an entrepreneur have been immensely exciting and highly rewarding. While at ICICI I had never even imagined how life would be outside the large institution, the mental transition from an employee to an entrepreneur had to be made overnight. What helped me do so successfully was my complete acceptance of the new situation and readiness to mould my life accordingly. Every decision I took professionally was consistent with the new reality. The idea was to make a new beginning with a clean slate to build a brand new institution. An institution that would embrace values which were consistent with my beliefs and appropriate for the business Multiples was embarking on – managing long-term institutional capital in a fiduciary capacity.

It took me a year to put together the foundation for Multiples. I was very clear that Multiples would be built with a long-term perspective – which meant no short cuts, no compromise of the long-term prospects for



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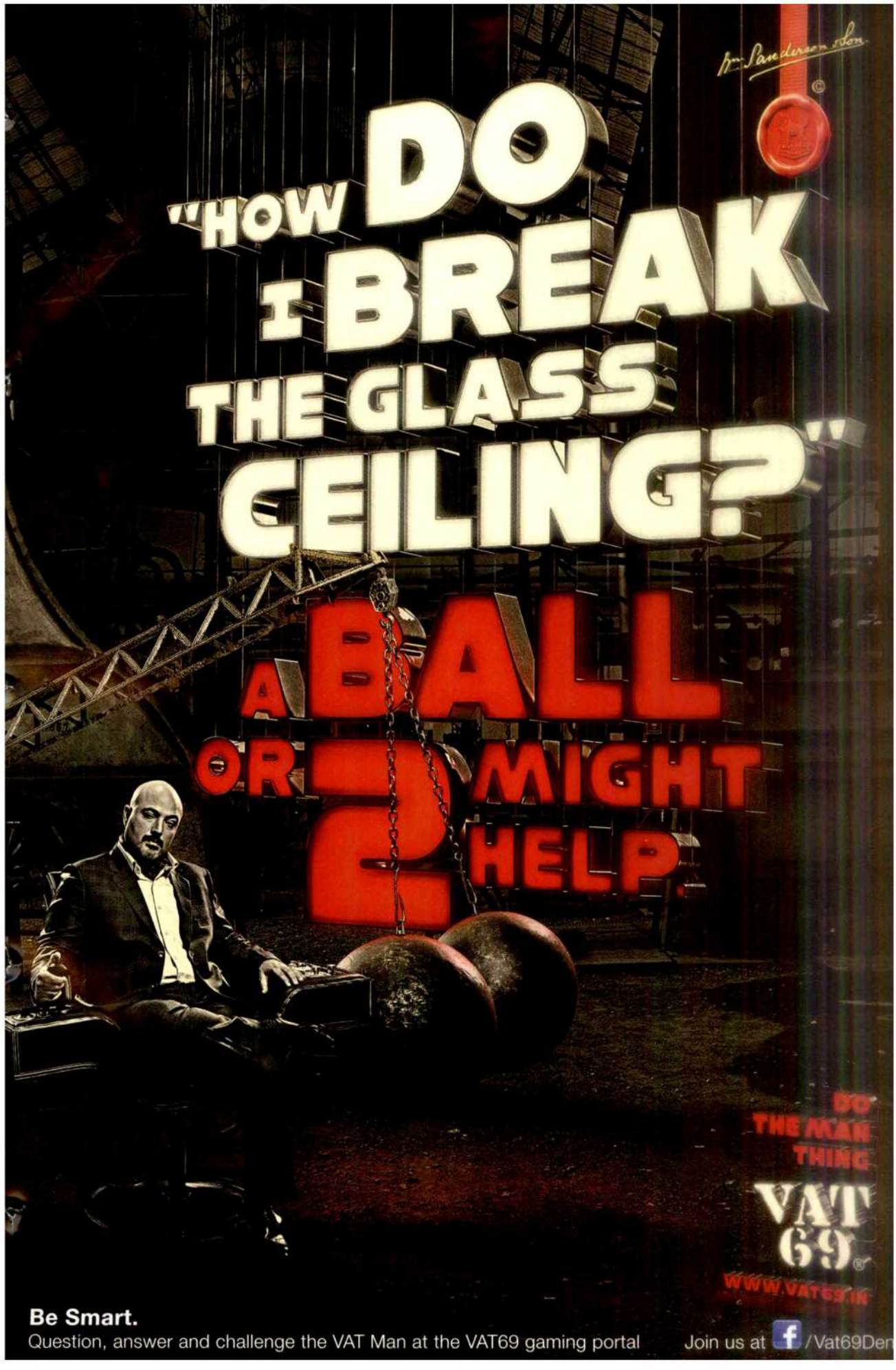
quick wins. The choice of investors and the choice of team members are the cornerstones of private equity. The decisions I took related to these were extremely deliberate. The idea was not to be tactical in building Multiples but to be strategic. In the rather challenging fundraising environment of 2009/2011, there were several occasions when I could have taken an easy path. The clarity of purpose of Multiples and excellent guidance from friends and well-wishers enabled me to stay on track of the core principles. The result was that Multiples was born with the backing of 15 Indian and international institutional investors – clearly the first for an independent private equity platform in India. This was also the moment of truth for me as large global pension funds, international development finance institutions and several Indian financial institutions reposed confidence in my ability to put together a competent team and build an institution from scratch.

THE CHOICE OF INVESTORS AND TEAM MEMBERS ARE THE CORNERSTONES OF PRIVATE EQUITY. THOSE DECISIONS WERE EXTREMELY DELIBERATE

I was aware that every baby step I took at that stage was a leap ahead for Multiples. If we falter along the way, the platform will be compromised. I carefully chose each member of the Multiples team. The team came together with a determined purpose of being a worthy partner providing long-term risk capital to entrepreneurs and create wealth for all stakeholders. The mindset in every relationship and dealing is one of win–win. Unlocking the fullest potential of human resources both within Multiples and within the portfolio companies, the focus on capital productivity and growth with good governance are guiding the team as we take our journey forward.

Looking back at our last three years since the Multiples ship has been set to sail, I can say with confidence that Multiples is on the right path to become a respectable private equity institution born in India. The endeavour of Multiples is to generate superior financial returns from our investments alongside the success of all stakeholders in our ecosystem of companies.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BY RENU SUD KARNAD
HOUSING DEVELOPMENT FINANCE CORPORATION

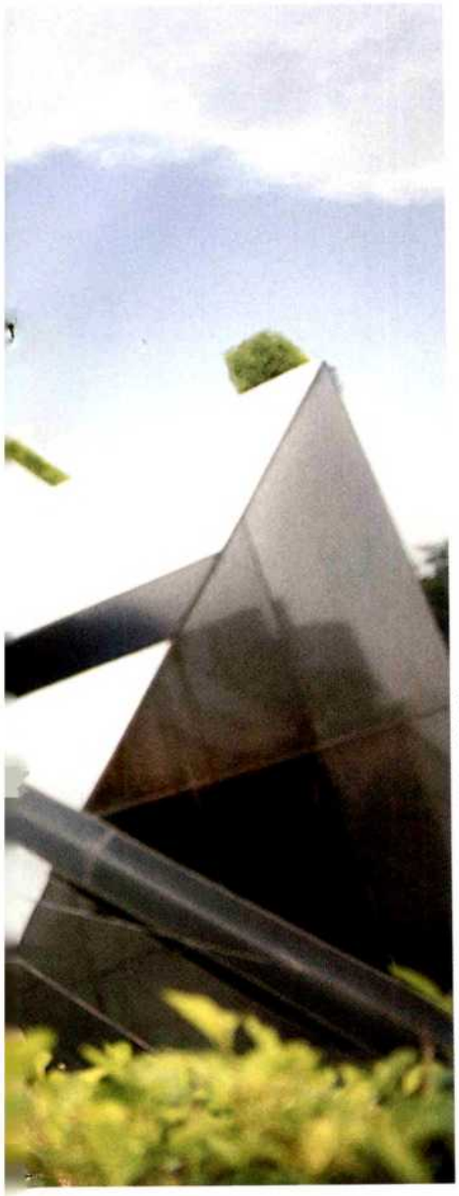
Outstanding Homemaker

HDFC's managing director says being part of two decisions that changed the way the lender does business are her most memorable moments

I joined HDFC Ltd in 1978, when I was 26. It was my first job and I rightly feel that I grew with the organisation. (HDFC was formed in 1977). Having said that, I can point to two breakthrough moments in my career which charted a new course for HDFC as well. They were changes in the way we did business. They led to a change in the mindset of all of us at HDFC. We took time to make these decisions, but now they contribute substantially to our business.

Today, housing loans are a commodity. With just one click of a mouse, a customer can avail a housing loan. When we started, customers used to come to us with great expectations and anxiety. The big question was: would they get the loan or not? The amount used to be a maximum of ₹70,000. But it meant a world to them. If they were granted the loan, they would come to us with invitations to be part of their house warming. The effect was phenomenal. Customers from towns such as Agra, Meerut and Kanpur would come to Delhi for loans.

In the mid-1980s, when I was in middle management, we conceptualised the idea of delivering loans at a point of contact by creating spokes. The need to spread out, and be present where our customer was.



VIVAN MEHRA/www.indiatodayimages.com

steadily grew. The only way to expand was by setting up branches. But a conventional branch would entail a staff strength of 25 to 30 people. This was not viable in a small town, as the business matrix was different and evolving. Thus we introduced the hub-and-spoke model.

The first spoke was just a customer-facing office operating with two to three staff members. The customer would come to the office in his town and he would deal only with that office, but all the work would be done out of Delhi. Our first out-of-city spoke was in Kanpur and the first in-city spoke was at the India Habitat Centre, Delhi. The job at the HDFC spoke was to make sure the customer felt he was wanted and was being heard. The spoke collected the papers and sent them to the main office. This was well before technology advancements happened. The files would be sent from the spoke via couriers to the hub and, after processing, hubs would send the files back to the spokes.

THIS (HUB-AND-SPOKE) METHOD OF REACHING OUT TO THE REMOTEST CORNERS WHERE OUR CUSTOMER WAS, IN THE MOST COST-EFFECTIVE MANNER, HAS PROVEN AN ASSET FOR US

Gradually, a spoke became a branch depending on the business it could generate. As a result, we could open multiple offices. This method of expanding and reaching out to the remotest corners where our customer was, in the most cost-effective manner, has proven to be an asset for us. Tier-II cities today contribute 40 per cent of our business. These cities started giving us more business and more satisfied customers. Our reputation spread by word of mouth and more people started coming to us. Today, we have 25 hubs and close to 250 spokes.

The second change was more out of a necessity. It entailed changing HDFC's mindset. We never believed in using an intermediary between us and the customer. Having a connect with the customer was always cardinal for us. However, 10 years ago, with growing competition, we were confronted with a situation where other banks started sending their representatives to sell home loans at customer's homes and offices at their convenient time. It started impacting our business.

We resisted having agents initially. That resistance did not work well for us. It took us two years to come around. However, we decided to do things a bit differently. We decided the agent would not be us. He would remain an agent, he would represent us, collect the papers, help with the formalities but the decision to give the loan and the loan amount would remain with us. We still insist on meeting the customer when we are giving the loan.

We started with a couple of agents in Delhi. But we soon realised that we needed a set of people who felt a sense of affiliation with us. That led us to start our sales company, HDFC Sales, a 100 per cent subsidiary of HDFC, seven-eight years ago. The idea was to make these people feel a part of the company. Now they have a career path well laid out. As a result, we had our own people, who saw a career with us. Therefore, the chances of their overselling were fewer. Today, 49 per cent of our business comes from HDFC Sales.

Looking back, I can say with satisfaction that I was part of the core team that conceptualised and implemented these ground-breaking ideas for the organisation.

(As told to Sarika Malhotra)

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VANITHA NARAYANAN
MANAGING DIRECTOR, IBM INDIA

Boss at Big Blue

The IBM India chief began as a trainee in the company and is one of a handful of women heading a technolgy company in India

Not long ago, Vanitha Narayanan had the time to pluck rosemary and basil from her kitchen garden at her home in the United States to cook dinner for her family every evening. Italian, Oriental, West Indian, North Indian and South Indian – she could handle any cuisine. But dinner wasn't just a chore for Narayanan – it was a form of relaxation, after her demanding day job at International Business Machines (IBM).

Things changed after she landed in India in 2009. Her high-profile roles as Sales and Distribution Leader and then Managing Partner for Global Business Services left her little time to even watch television food shows, let alone cook. Narayanan has more than enough on her plate as IBM India's new Managing Director, a role that has propelled her into the league of just a handful of women to head a technology company in the country.

Narayanan's work-life balance may be off – her day is packed with back-to-back meetings – but she isn't complaining. IBM has done well in the past few years: the company does not break up revenues by country or headcount, but sources say it employs about 150,000 people. That makes it the largest multinational employer in the country. Narayanan has shepherded the company beyond its traditional strengths in telecom. "In the last few years, I have taken the IBM story to many industries beyond telecom – banking, financial services and insurance, industrial and retail segments," she says.

Since she moved to India, IBM has reported significant wins in insurer Birla Sun Life, Asian Paints and Godrej Consumer Products, among others. Narayanan applied her learning from telecom to other sectors. "Before I came here, I thought of myself as a telecom person – I spent 20 years in that industry. For the first time, I have started working with companies in manufacturing and industries I have not worked with before," she says.

The 54-year-old IBM India chief has risen from the ranks. She began her career at the company as a trainee, servicing telecom customer Southwestern Bell Telephone Company in Missouri in the US. She spent 10 years working with this client. "It has defined my IBM career. It helped me lay a foundation – you respect the industry of your client and sometimes, the client is your best teacher," says Narayanan, a management graduate specialising in management information systems. "Apart from a job in a department store, IBM is my only job. It was the only place where I wrote a professional resume and was interviewed."

Steadily, she climbed the corporate ladder to become Global Vice President for IBM's telecom solutions offerings and in 2006 moved to Shanghai to run the communications sector business for IBM's Asia Pacific Unit. India happened next. And it has been the ultimate feather in her professional cap, considering the size of domestic business, the number of people it employs and IBM India's strategic importance from an outsourcing perspective. "IBM wanted somebody with an appreciation for the market, for what it needed from a local perspective. I brought my experience with IBM, in global and local roles. Plus, they had me here for the last four years learning the market and running parts of the business," says Narayanan.

But Narayanan's familiarity with Big Blue's India business dates back to 2001 when she was asked to help start a local telecom practice. She did a "special project" and put together a team that created history. IBM bagged a landmark $750-million outsourcing deal for 10 years with Bharti Airtel in 2004, a contract now valued at $2.5 billion.

Despite her meteoric rise, Narayanan comes across as extremely modest. She says she doesn't think she is powerful – she prefers the word 'influential'. She also struggles to pinpoint a defining moment in her career. "I don't have these night-and-day moments," she says. "My first decade was about appreciation for an industry and a client. The second decade was about bringing value, about building organizational capability. The third decade is about leadership in different cultures and environments."

Narayanan pauses for a while before talking about her leadership style. "You should ask my team," she says. Colleagues say Narayanan is both collaborative and decisive at the same time. "She is no push-over," says Jeby Cherian, Vice President and Managing Partner of IBM Global Business Services, India/South Asia. "But she can build trust very easily."

GOUTAM DAS

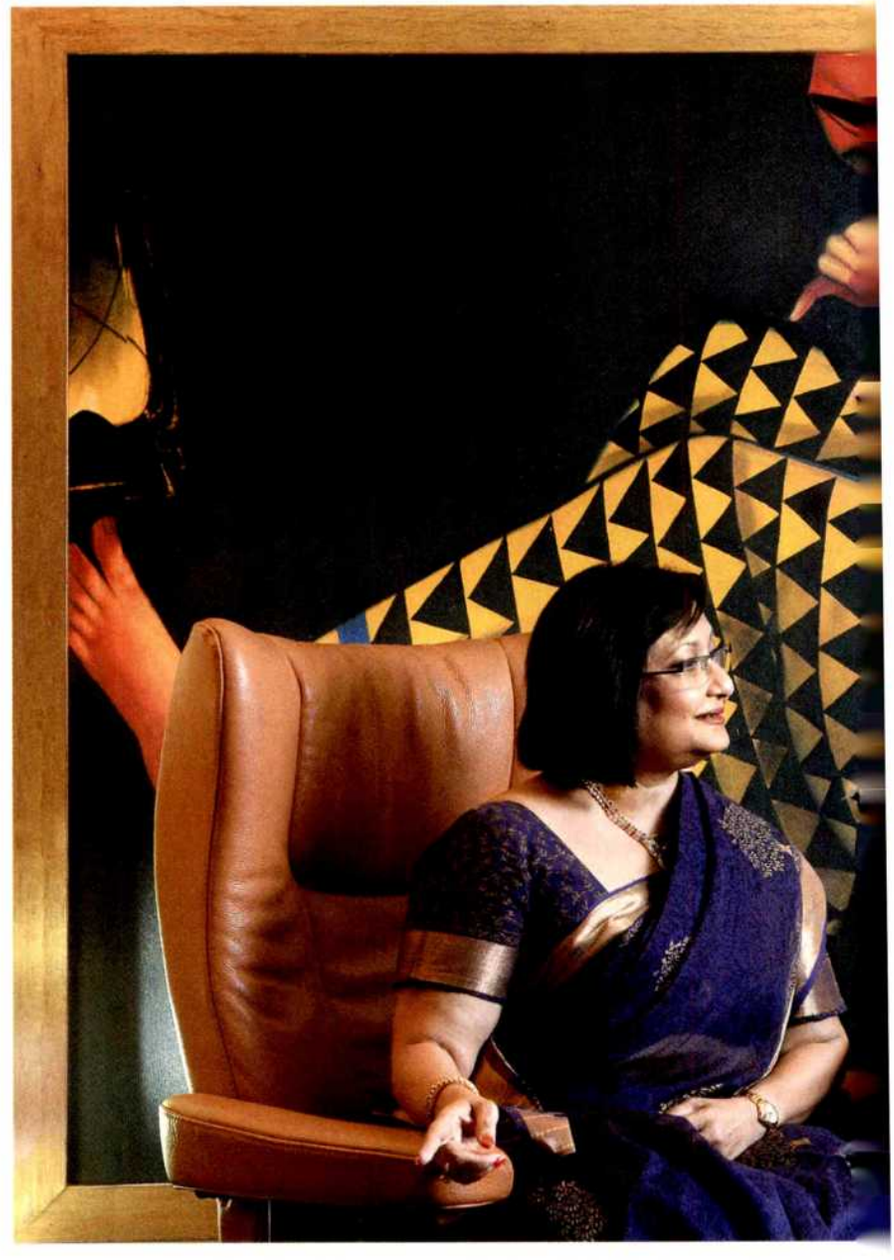
ON THE GLASS CEILING

I HAVE CERTAINLY NOT FELT IT. BUT WE CANNOT DECLARE VICTORY AND WOMEN SHOULD CONTINUE TO REMAIN FOCUSED

PALLAVI SHROFF
SENIOR PARTNER, AMARCHAND & MANGALDAS & SURESH A. SHROFF & CO.

Queen of the Court

She has represented a roster of corporate giants, and actively backs other women in her profession



She handles some of the most high-profile legal cases in the country, but law was never her first career choice. Pallavi S. Shroff got an undergraduate degree in economics before doing a master's in business management in 1978. She could well have become a high-flying executive. But then she got engaged to a lawyer, changing the course of her life.

Today, Shroff is senior partner at India's biggest law firm, Amarchand & Mangaldas & Suresh A. Shroff & Co. "After my engagement to Shardul (Shroff) I realised that I must join this profession to spend time with my husband, because law, as they say, is a jealous mistress," says the 57-year-old.

Shroff joined at a time when only a handful of women practised law – and it was sometimes a challenge to be taken seriously. In the early 1980s, when she had just joined the firm after getting a law degree from Mumbai, banking clients preferred to wait to meet her husband, a managing partner in the firm, rather than discuss cases with her. "I've seen the profession evolve and change. I've seen the status of women in the profession evolve," she says.

Shroff recalls an incident that helped change clients' perception of her abilities. Barely a few years into the profession, she had to argue a bank-related case in court because her senior could not make it for the hearing. "This was my second or third year. At the end of this hearing, the judge ordered the party to pay ₹1 crore to the bank. That was a lot of money then. The day the bank got the money, its chairman called to enquire about the person who got him a crore."

Since then, there's been no looking back. Today, Shroff heads the law firm's Dispute Resolution and Arbitration department, which ac-

counts for about a fifth of Amarchand & Mangaldas's revenues. She has successfully represented corporate giants from GE, Coca-Cola and Nestle to the Tatas and Apollo Tyres in various domestic and international cases.

Last year, when the Supreme Court asked the country's top industry bodies, the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry, for their views on whether natural resources should be auctioned, both turned to Shroff for legal advice. She says a number of her submissions were included in the final judgment. "We had to explain why different policies may be required for allocating resources such as spectrum, mining and water."

Kuldeep Drabu, director at Videocon, recalls Shroff's dedication while seeking to understand the technicalities of the oil business before arguing their cases. She has represented the company in various international arbitrations related to oil and gas. The legal eagle's economics and management degrees have come in handy here. Shroff has seen the evolution of business law and says there is enormous scope in financial services litigation today. "Unlike the simple bank suits for recovery in the past, today financial services include PE investment or hedge fund investment and the challenges of their exit," she says.

Having carved a place for herself in the legal world over the years, today Shroff supports other women in the profession as well. She says she prefers hiring a female candidate over a male if both are equally competent. No wonder women account for 49 per cent of her 800 employees. Amarchand & Mangaldas allows flexible work hours for women and has a creche for children of women employees. "Few women are able to rise in the legal profession and maybe I've been lucky," says Shroff. "I have never held back a woman from moving up because she was pregnant."

Shroff recalls a late evening meeting with a woman colleague after the creche had shut for the day. She called the colleague to her room along with her child. "I made the child sit on my table, gave him a paper and a few crayons that kept him busy while we had our discussions," she says. It reminded Shroff of her own children and the time when most of her legal briefs had crayon marks. She calls it a "mother's life". Now that her children are grown up, she keeps herself busy with Ninja, her chihuahua.

How much of the success is because she is married to Shardul Shroff? "I don't think the success has anything to do with whose wife I am. It just has to do with the fact that there were very few women at the bar who took the profession very seriously," she says.

And she isn't just being politically correct. Leading lawyer Harish Salve puts it simply: "She is one of the finest lawyers I have known."

AJAY MODI

ON THE GLASS CEILING

I HAVE PROBABLY BEEN LUCKY. BUT NOT EVERYONE SUPPORTS A WOMAN WHO IS GOING UP THE LADDER. A NUMBER OF ORGANISATIONS DO NOT SUPPORT FEMALES. IT IS A REALITY, THOUGH IT IS SAD

SHEKHAR GHOSH/www.indiatodayimages.com

SHEKHAR GHOSH

SHUBHALAKSHMI PANSE
CHAIRMAN & MANAGING DIRECTOR, ALLAHABAD BANK

Flying High

Raised to be independent, Allahabad Bank's chairman says her parents' message to her was 'You can do it'

Shubhalakshmi Panse was pursuing a doctorate in embryology at Pune University, researching cell death, when she stumbled across an advertisement seeking probationary officers for the state-owned Bank of Maharashtra. She took the qualifying exam "just for fun" – and sailed through. That marked the end of her cell research. She joined the bank and climbed the professional ladder over the next 37 years. Last October, she stepped down as sole executive director at Vijaya Bank to take over as the head of Allahabad Bank.

In the process, she became the first woman to lead the 148-year-old institution, India's oldest bank. Panse insists on the term "chairman". To her, "it's just a designation", like executive director or probationary officer. "There's no gender involved, no sex, female or male," she says.

She is unfazed by the notion of the glass ceiling. "I don't look at it from that angle," she says. She says that being a woman was not an issue in her professional life – until she became general manager. "Women are [then] looked down upon, not much is expected of them," she says. "It's still there in the public sector."

Then there is networking. "Men do it so well," she says with a laugh. "It's always been my handicap." But the mindset is changing, she adds – three out of 26 public sector banks are women-led (besides Panse, there are Vijayalakshmi Iyer at Bank of India and Archana Bhargava at United Bank of India), and State Bank of India Managing Director Arundhati Bhattacharya is tipped to be the next head of her bank.

ON THE GLASS CEILING

BEING A WOMAN WAS NOT AN ISSUE – UNTIL I BECAME GENERAL MANAGER. WOMEN ARE THEN LOOKED DOWN UPON. NOT MUCH IS EXPECTED OF THEM

"I believe in being transparent, it helps in the long run," says Panse. "When I work only for the organisation, people will respect me."

Panse, 59, credits her parents for her achievements. "We were raised as independent individuals," she says. "My mother would say, 'You can do it'." Panse took her career seriously, studied business management in the evenings, and earned a master's in management and finance in 1993. In 1998, when work took her husband to the US, Panse took a sabbatical and did a three-year MBA in 12 months from Drexel University, Philadelphia.

"My commitment is 200 per cent," she says. That was evident soon after she took over at Allahabad Bank. She was injured in an accident and advised two months' bed rest. She started working from home on the 13th day, and returned to her office less than a month later.

She will have led the bank for a little over a year when she retires in January. "One year is too short," she says. "It's a challenge, so I simply fast-forwarded everything." Like she did at Drexel 15 years ago.

"Challenge" is the right word. Allahabad Bank's net profit has contracted (-44.5 per cent in the third quarter of 2012/13, and -68.48 per cent and -19.64 per cent in the following quarters). Shrikanth S., Industry Manager, Business and Financial Services, at consulting firm Frost & Sullivan, says one needs at least five years to see the results of new policies. "It would be unfair for a PSU bank with a wide customer base to expect a turnaround earlier."

Allahabad Bank's deposits grew 17.45 and 12 per cent in the last two quarters of 2012/13, and 14.86 per cent in the first quarter of this year.

During Panse's tenure at Vijaya Bank, deposits grew 13.56 per cent in 2009/10 and 16.81 per cent in 2012/13 (she became CMD of Allahabad Bank on October 1, 2012).

She aims to leave behind a bank that will end the fiscal year with total business of ₹3.6 lakh crore, having ended the April-June quarter with ₹3.09 lakh crore. "I'm sure we'll achieve the target," she says.

ANIK BASU

VINITA SINGHANIA
MANAGING DIRECTOR,
JK LAKSHMI CEMENT

Concrete Woman

Singhania found her experience as a housewife helped her when she began to run a cement business

Former Finance Minister Pranab Mukherjee had a hearty laugh when a cement industrialist told him at a pre-Budget meeting that *raddi*, or scrap paper, sold for ₹10 per kg while cement was just ₹5 a kg. The industrialist was Vinita Singhania, Managing Director of JK Lakshmi Cement and she was making a case for a reduction in cement taxes with her industry association head hat on. It's a different matter that no relief followed.

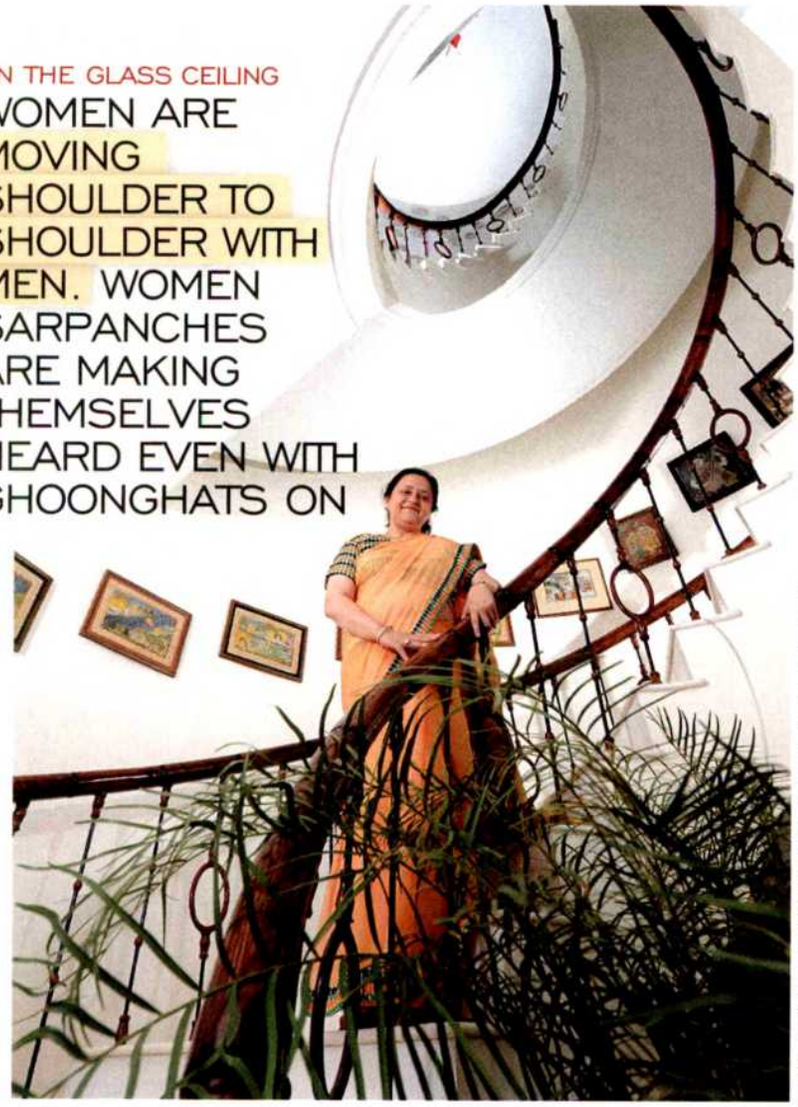
Singhania, 61, is the top boss of a multi-million rupee cement company and was also the first woman president of the Cement Manufacturers Association from 2009 to 2102. But getting into the world of business wasn't something she planned: she was drawn into the family business after the sudden death of her husband, Sripati Singhania, in 1988.

She says she was shy and reserved when she joined the business. "I was a full-time housewife for the first 16 years of my marriage. Being married into a prominent business house, you tend to pick up business developments at the dining table and from telephonic conversations. You get a feel of what is happening in the company," she says.

Singhania says she used to regularly hear about the cement industry

ON THE GLASS CEILING

WOMEN ARE MOVING SHOULDER TO SHOULDER WITH MEN. WOMEN SARPANCHES ARE MAKING THEMSELVES HEARD EVEN WITH GHOONGHATS ON



SHEKHAR GHOSH/www.indiatodayimages.com

from her husband who set up the cement business in 1982. She remembers how easily she was convinced by her brother-in-law, the late Hari Shankar Singhania, to take over the family's cement business. "He made it look so simple by comparing running a business to running a home, with the only difference that in business one handles a budget of crores compared to a lakh at home."

Her experience of handling a household budget certainly paid off. A few years after she joined, the company invested ₹700 crore to treble capacity to 1.5 million tonnes. The expansion helped her understand the financial and technical nuances of the cement business. She used to sit through all meetings, workshops and seminars to understand the nitty-gritty of the cement industry. "That gave me a real insight into the cement business and the way corporates function. I used to travel to the plant every month and stay there for two-three days," she says.

Getting into the business was relatively easy for Singhania as she came from a business family and had a degree from Delhi's Lady Shriram College. The greater challenge was to win the confidence of the team at JK Lakshmi Cement. She was afraid of being seen by employees as someone who had been imposed on them because she came from the Singhania family. "I realised the biggest challenge for me was to gain trust and prove my capabilities," she says. As for the glass ceiling, the invisible barrier said to hold back women, she maintains it is no longer relevant.

Today, Singhania is on a roll. JK Lakshmi is a company with sales of ₹2,000 crore and a profit of ₹175 crore last year, a 62 per cent jump over the previous year. She has raised its turnover from ₹100 crore to ₹450 crore within about five years of taking over. No wonder she figures in the list of India's best paid businesswomen with a pay cheque of ₹ 8.17 crore last year. In 2012, she was appointed Patron of the Rajasthan Chamber of Commerce and Industry. "She is providing able leadership to JK Lakshmi and the company is on a growth path," says H.M. Bangur, Managing Director of Shree Cement, who has known her for 15 years.

Singhania says this financial year is going to be challenging for the industry because of the economic slowdown. But she's used to challenges. The journey has not been easy for her as both her sons were in school when she started work. She had a schedule that allowed her to get back home by afternoon and take care of her sons. "If you have the conviction to do something, you will do it."

She is committed to helping women and has taken it upon herself to educate women around their plant in Rajasthan. "I plan to make them computer literate."

AJAY MODI

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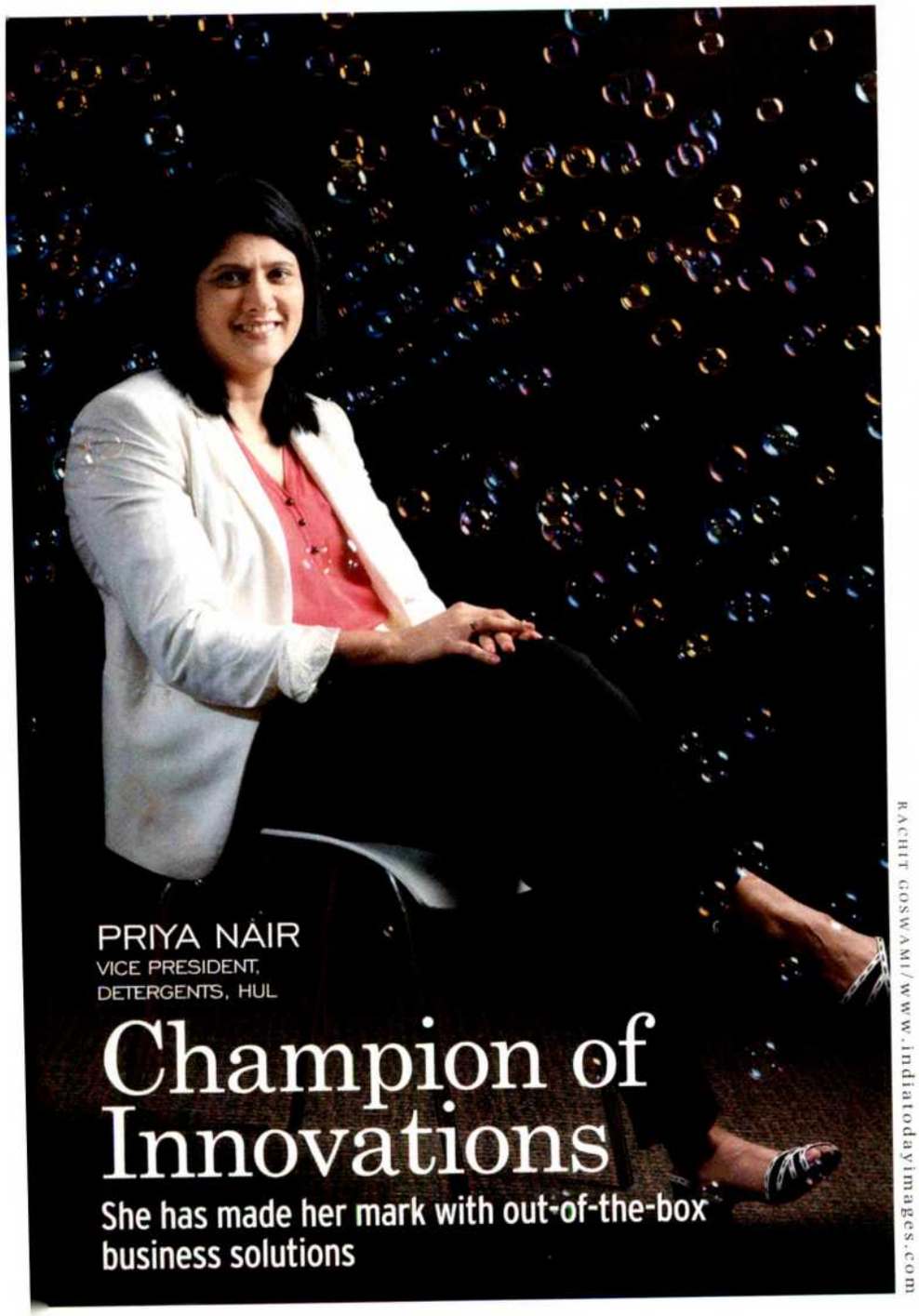

PRIYA NAIR
VICE PRESIDENT, DETERGENTS, HUL

Champion of Innovations

She has made her mark with out-of-the-box business solutions

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Last year, while on a visit to a remote village in Tamil Nadu with her CEO Nitin Paranjpe, Priya Nair, Vice President, Detergents, Hindustan Unilever (HUL), got a surprise. She saw a bottle of HUL's Comfort Fabric Conditioner in the house of a poor farmer. Fabric conditioner, by any stretch of the imagination, was not considered a mass-market product.

This experience convinced Nair that there was a market for premium products even in rural India. "They may not use fabric conditioners every day, but some do use it once or even twice a month. As aspirations begin to change, consumers start upgrading," says Nair. As head of the more than $1 billion detergent business of HUL, the country's largest FMCG company, Nair is now betting on "premiumisation" to fuel further growth in the category. "I see this business moving forward on the premiumisation journey, but we also need to strike a balance between aspirations and reality," she says. One of her recent launches is Comfort One Rinse, a fabric conditioner that promises to save water while washing clothes.

Indeed, Nair is known for such out-of-the-box thinking. Anuradha Aggarwal, now Senior Vice President (Brand Communications, Insights and Online), Vodafone, who worked with Nair at HUL for over a decade, calls her a "champion of innovations".

Nair has risen through the ranks at HUL. A 1995-batch MBA from Symbiosis Institute of Business Management, Pune, she started off as a management trainee. She has worked in the consumer research, sales and marketing departments as brand manager of Dove, Axe, Rexona, Close-Up and Pepsodent, before becoming the category head of the company's largest vertical, detergents, in 2011.

So, what has been HUL's biggest contribution to her life and career? "It has given me a good and humbling sense of what my country and my consumers are all about," she says.

AJITA SHASHIDHAR

I, ME, MYSELF

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ANJALI BANSAL
MANAGING DIRECTOR
SPENCERSTUART INDIA

Headhunting Honcho

She also mentors proficient women executives for board roles

When Anjali Bansal signed on to set up the India office of global executive search company SpencerStuart in 2006, she was taking on a big challenge. But the thought of launching a start-up didn't deter her. She had already worked with a global search firm and also spent some years at consultancy McKinsey & Co. Today, the SpencerStuart India Managing Director is sitting pretty: the company has a string of high-profile clients under its belt including Hindustan Unilever and the Tata Group. "We have become a real voice shaper of opinion and driver of change in the overall corporate ecosystem," says Bansal.

The 42-year-old Bansal has broadened the gamut of services SpencerStuart offers beyond executive search to board advisory and succession planning. So, has she gone beyond the mandate handed to her for India? "My firm says we have, so, yes, I guess we have."

As a woman, she is particularly proud of a programme she launched last year to mentor high-potential women executives for board roles. The mentors include prominent corporate personalities such as HDFC Chairman Deepak Parekh. "We are the first firm in India to launch a board index of sorts which tracks trends in corporate governance in India. It covers regulation, board composition and related issues," she says.

Bansal takes her expertise outside SpencerStuart as well. She believes in giving back to the community and is on the board of non-profit organisations such as United Way of Mumbai. "You will never know which corporate client or which board she is referring to and she maintains discreetness which is an absolute must for this job," says Parekh, with whom Bansal has worked closely over the years.

How does she achieve a work-life balance? "Family is very important," says Bansal. "But you will never get enough time with the family as you'd like. That's the reality of every committed professional. It's a hard choice, but the good thing is you have a choice."

MANISHA SINGHAL

ON THE GLASS CEILING

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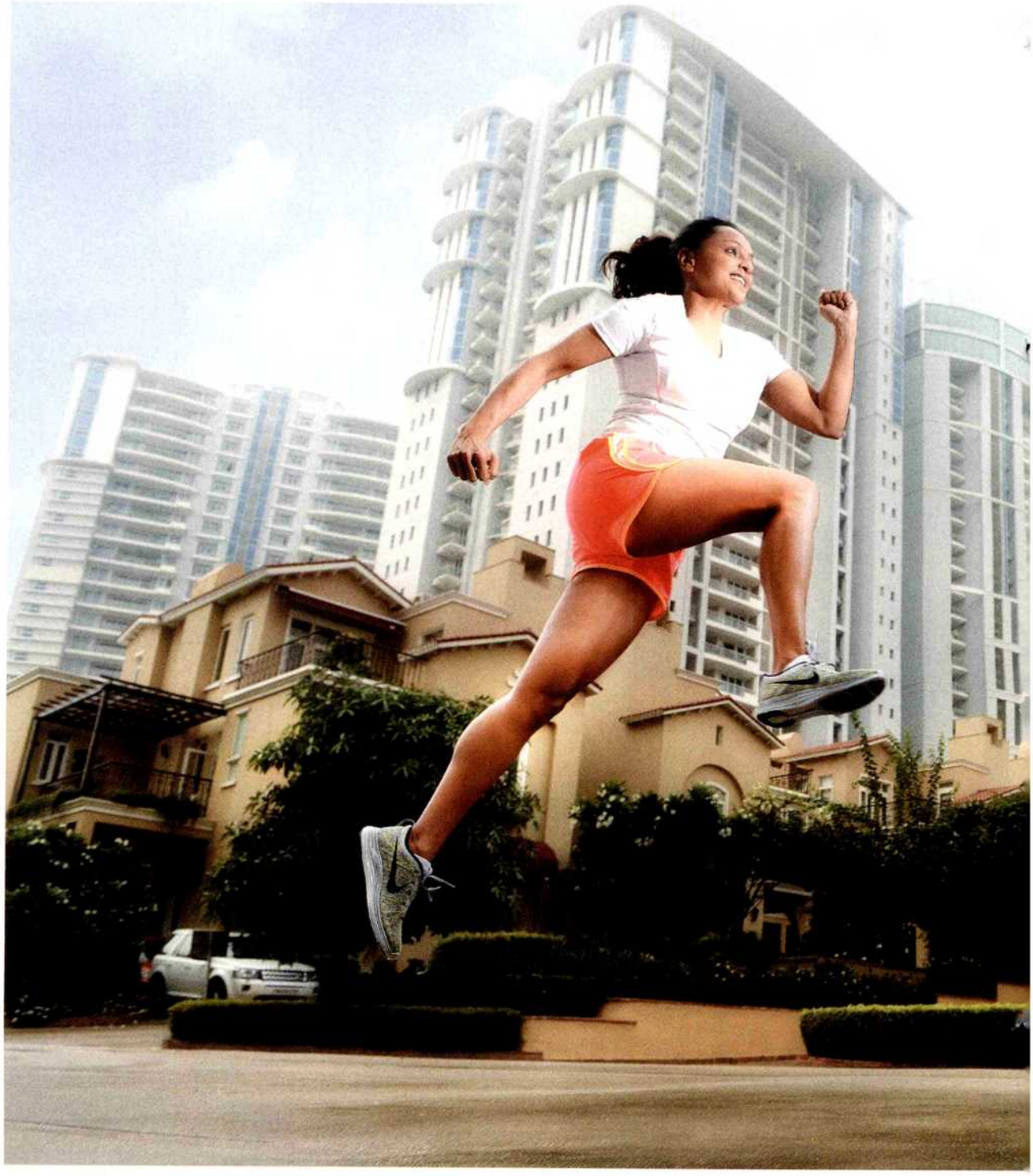

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SWARUPA SANYAL
HEAD OF STRATEGY AND CORPORATE INITIATIVES, GENPACT

A Quantum Leap

Swarupa Sanyal is implementing a blueprint that seeks to transform India's largest BPO firm into a leaner, bigger and more profitable company

The approaching click-clack of her heels breaks the silence of the boardroom. Swarupa Sanyal, 41, enters the rather colourless room and places her iPhone – clad in a bright pink cover – on a table. Wasting no time she starts to talk about a blueprint that aims to transform Genpact, India's largest business process outsourcing firm, over the next five years to make it more profitable.

Sanyal, better known by her nickname Sasha, is spearheading the transformation as Genpact's global leader for strategy and corporate initiatives. For years Genpact's focus was on revenue growth. It became a giant BPO company with revenue of $1.9 billion and a net profit of $178 million in calendar 2012 from 24 business verticals. But now, Sanyal's target is to improve Genpact's 2013 earnings by $40-60 million by cutting costs, increasing pricing and adding clients. She is confident and says her team is already working to improve profit from 15 of Genpact's least profitable clients.

The blueprint, for which Sanyal hired McKinsey in December to talk to clients, competitors and employees, also envisages reducing the number of business verticals to eight. One of the eight will generate $1 billion in revenue. The other seven will contribute $300 million each. The broader aim is to double Genpact's revenue to $4 billion without any acquisitions by 2017.

It wasn't overnight that Sanyal got this challenging role. She recalls a phone call six years ago while she was at Corbett National Park, from N.V. "Tiger" Tyagarajan, Genpact's CEO. He wanted her to run Smart Enterprise Processes, a framework that helps Genpact's clients become more productive. Sanyal was reluctant to accept as she had never been in a similar role before. Moreover, her daughter was just six months old at the time. But Tyagarajan convinced her. Nothing in her career has been more difficult than that assignment. Not even the latest blueprint.

Even people outside of Genpact think of Sanyal as a good leader.

I, ME, MYSELF

TO ME IT'S NORMAL TO BE A PART OF THE FAMILY WHERE A WOMAN IS WORKING, SO I SUSPECT THAT IS MY BIGGEST ADVANTAGE

"She can assimilate everything and give an outcome which everyone can follow," says Kimberly McCaslin, Operating Partner at Bain Capital, which has invested $1 billion to pick up a 30 per cent stake in the BPO.

In more than a decade with Genpact, Sanyal has taken up seven roles. "Every time I get comfortable Tiger gets me to do something new," she says.

Today, she has more time to herself than before. She is home by 7 p.m., and doesn't take calls until 8:30 p.m., when both her kids go to bed. She spends another hour with the children in the morning. If work calls, she goes back to office after 8:30 p.m. Her life is extremely regimented. "Monday to Friday... I get up, go to the gym, get the kids ready, take them to school, go to work... and I am in bed by 9:30 pm," she says. "But if you see me on a Saturday or a Sunday, I am a puddle of mush. I don't do anything."

Through all this she is suddenly reminded of her childhood, when her stepfather told her that a woman can be good either at work or at home. "Even at that time I wanted both. There was never a choice," she says. "I always wanted kids... and I always wanted to work." That's the woman in her, and maybe that's where the pink phone cover comes from.

SUNNY SEN

Dean of Dynamism

The deputy dean of ISB says nurturing a project from scratch excites her

It isn't easy to find the Indian School of Business (ISB) campus in Mohali which opened less than two years ago. Tucked away in a corner of this city near Chandigarh, it isn't as well-known as its counterpart in Hyderabad. But perhaps not for long. Sukhbir Singh Badal, Deputy Chief Minister of Punjab, says this campus will soon be a Mohali landmark.

His confidence isn't misplaced. Another person convinced about Badal's vision is Savita Mahajan, Deputy Dean of ISB and former CEO of the Mohali campus. And she should know. She's the one who made the Mohali ISB one of the country's leading management schools. "It was a challenging job. More than the construction of a world class campus, we had to meet the aspirations of the students," says Mahajan. "They were apprehensive, and asked if they could be shifted to the Hyderabad campus. I am happy that from the first year placements from the Mohali campus were better than Hyderabad."

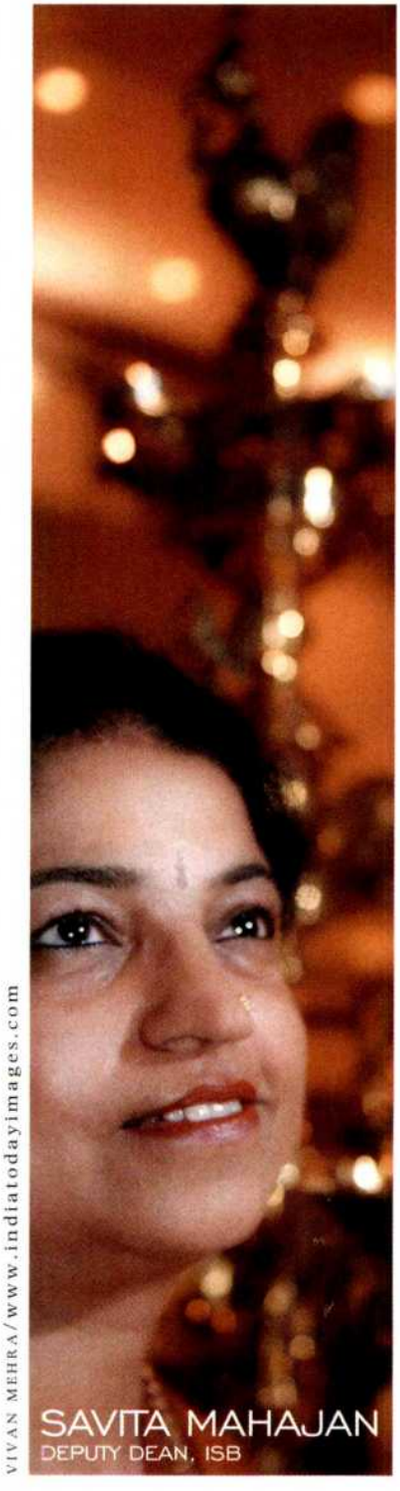
Mahajan, 54, says nurturing a project from scratch excites her and this is what she has done all her life. An IIM Ahmedabad graduate, she began her career with Maruti Udyog at a time when the company was still small and looking for a joint venture partner. "I find it is easier to learn good things in smaller organisations. Right from sending and receiving fax messages to the Japanese (Suzuki Motors), I remained part of corporate strategy development," she says. "When you see your seed growing into a fruit-bearing tree, it gives you immense pleasure and a kick."

Mahajan, 54, has been associated with the Mohali ISB since work on it started in 2001. She was roped in for the job because of her expertise in strategy and organisation development during earlier stints with Bharat Technologies, Karvy Consultants and Intergraph India. She was part of the negotiations with the state government on starting the business school. "Since I could speak Punjabi, it helped me to get my work done," she says. "Initially, people tried to take me for granted, but soon they realised I am a no-nonsense lady, and things fell in place. I am sure things are on right track here."

She feels being a woman has not been a stumbling block. "I always believe and also tell female executives, you know you are good, your boss also knows you are good. But in his mind he might think you have other constraints," she says. "If one is convinced, one must take things head-on. In my case it worked."

Her former boss agrees. Maruti Suzuki Chairman R.C. Bhargava remembers her as "very bright, very professional". He says: "She was very thorough in whatever she did and was quick to understand what was needed to be done. I did not need to repeat things for her to understand what I wanted."

ANILESH S. MAHAJAN



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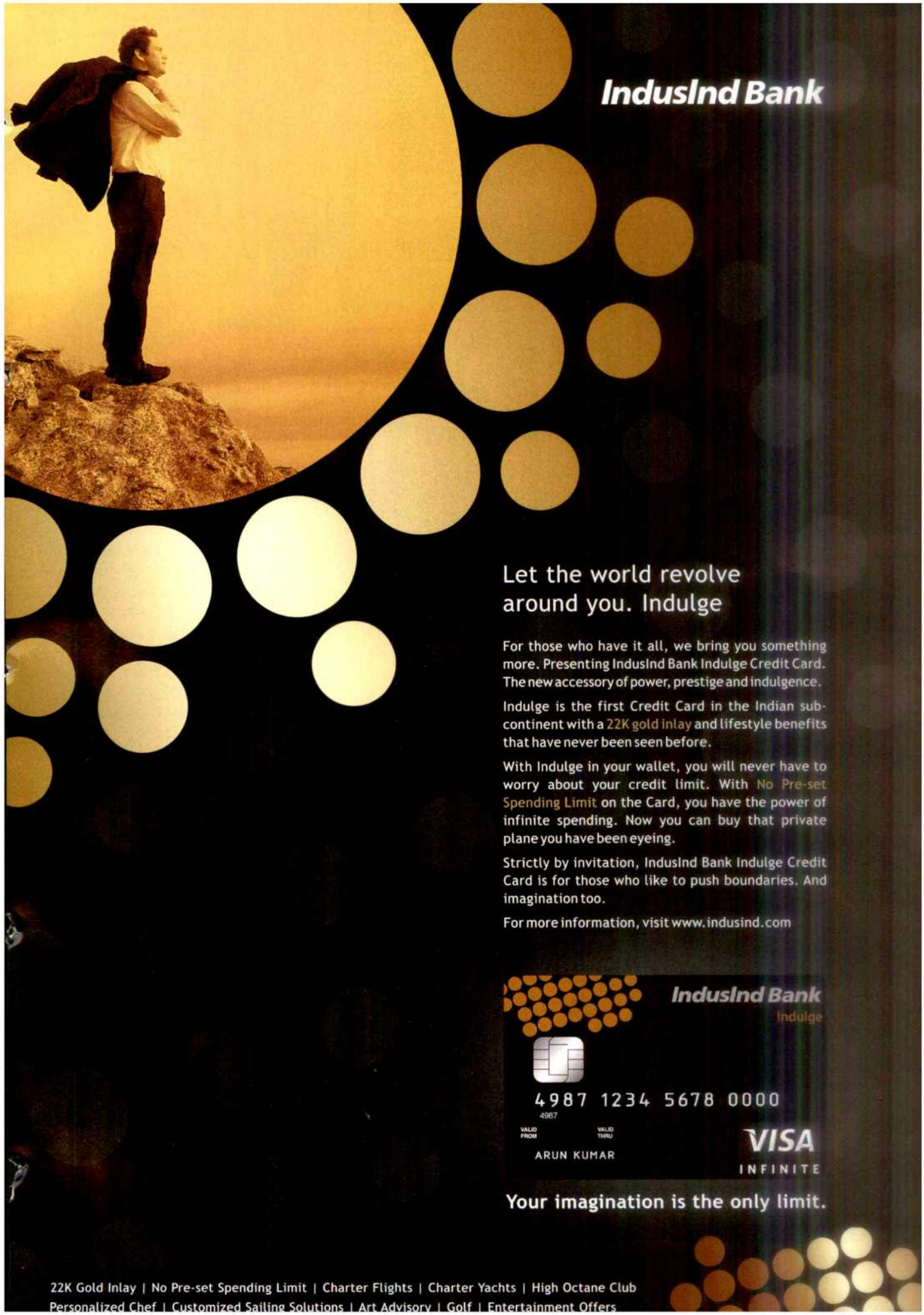
SAVITA MAHAJAN
DEPUTY DEAN, ISB

ON THE GLASS CEILING

IT IS NOT A MYTH. GROWTH OPPORTUNITIES FOR WOMEN ARE STILL DETERMINED BY MEN. IT IS CHANGING, BUT SLOWLY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NISHI VASUDEVA, DIRECTOR (MARKETING), HPCL

In Solitary Splendour

The only full-time woman director of an oil PSU says there is no glass ceiling

Nishi Vasudeva says she shattered no glass ceiling to become Marketing Director of Hindustan Petroleum Corporation Ltd (HPCL) in July 2011. To reach the top, she says, one must be professional. The fact remains that she is the only full-time woman director in some 20 public-sector oil and gas companies in India. On August 21, the Ministry of Personnel, Public Grievances and Pensions recommended her name for the post of Chairman and Managing Director of HPCL.

"You must not expect positive differentiation," she says. "You should be ready to do what men do, if you are competing for the same position. If the job requires 15-20 days' travel a month, you should be ready."

"Vasudeva is a thorough professional and ambitious executive," says Nishi Mahajan Khurana, head of the North India chapter of Women in the Public Sector, a group of women officers of public sector companies. "With a larger pool of women executives, you will see more women on boards of not only energy companies but across the public sector."

Vasudeva, 58, says that until the 1990s, women accounted for five per cent of public sector company staff. Today, this number is about 11 per cent. "Women work in refineries, marketing offices, and on rigs."

She is responsible for selling 30 million tonnes of petrol, diesel and lubricants. Her focus on automation and IT upgrades is aimed at cutting costs. She is an old hand at setting up systems – she set up ERP in 2002, and became chief information officer in 2006. She completed the automation of the company's LPG terminal in Mangalore, making the country's biggest on-land storage unit more secure and efficient.

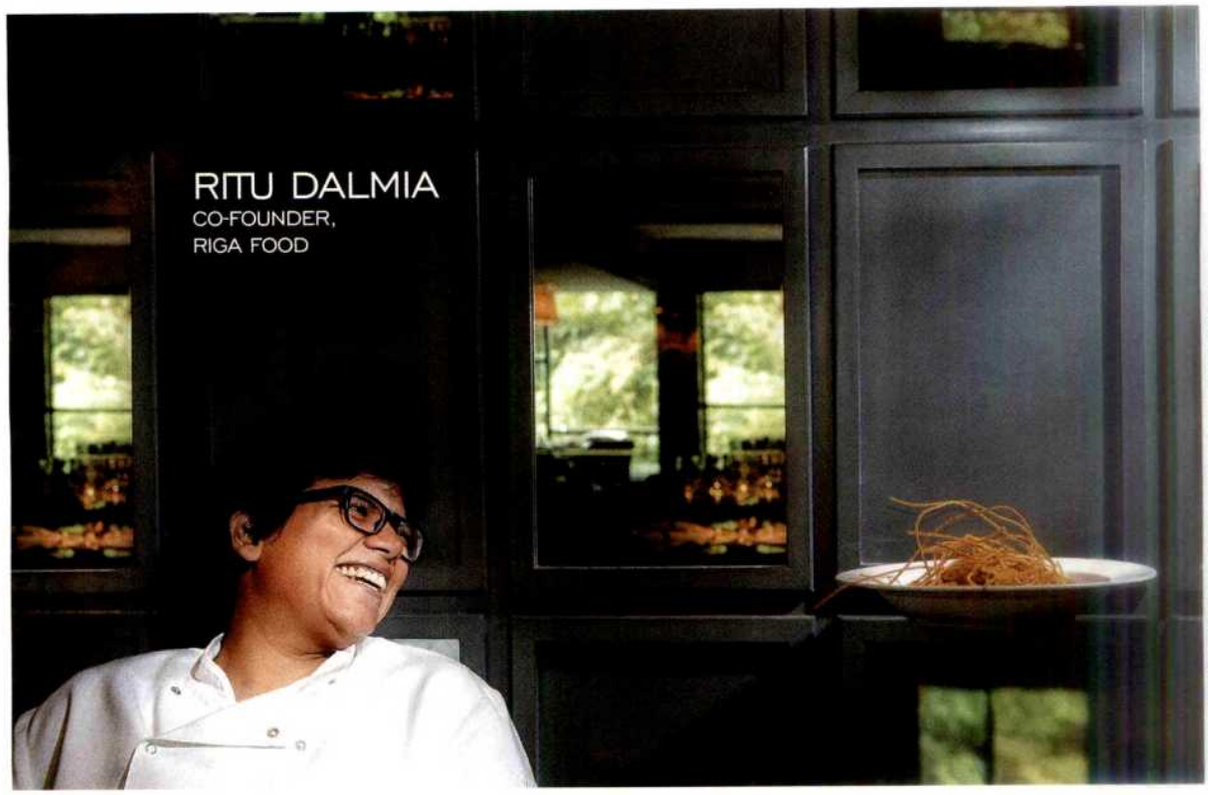
She also keeps tabs on the international lubricant market and diplomatic developments with Pakistan. "We can export products to them," she says. "HPCL's refinery is hardly 80 km from the border at Bhatinda, Punjab, and another one is coming up in Barmer, but the decision would have to be taken at the diplomatic level."

ANILESH S. MAHAJAN

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

ON WORK

DO NOT EXPECT ANY POSITIVE DIFFERENTIATION AS A WOMAN. IF THE JOB REQUIRES 20 DAYS' TRAVEL IN A MONTH, BE READY



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Yes, We Cannoli

Life hasn't always been a cakewalk for this pioneer of Italian food in India

An iPhone cover with a picture of the Tower of Pisa is not surprising, if it belongs to someone who runs Italian restaurants and hosted a show on Italian cooking. What is surprising is that she thinks tiramisu is "the most overrated Italian dessert". Forty-year-old chef Ritu Dalmia prefers torta della nonna, a pastry crust with a creamy ricotta filling, and cannoli, or little tubes of pastry filled with cream.

Despite owning six restaurants in Delhi, she says she is a simple person who likes *dal-chawal* and *bhindi*.

She opened Delhi's first Italian restaurant, MezzaLuna, in 1993, when she was 21. She started it with the ₹5 lakh she saved by working for her father Natwar Dalmia, who had a marble and granite business, since she was 16. MezzaLuna closed in two years because the market was not ready for Italian food, she says.

She sold MezzaLuna and opened an Italian restaurant, Vama, in London – "the gastronomical capital of the world" – in 1995. Four years later, she returned to India and started Diva, a fine dining Italian restaurant in South Delhi. It was difficult to run businesses in two countries, so although Vama was doing well, she sold her stake in 2002.

I, ME, MYSELF

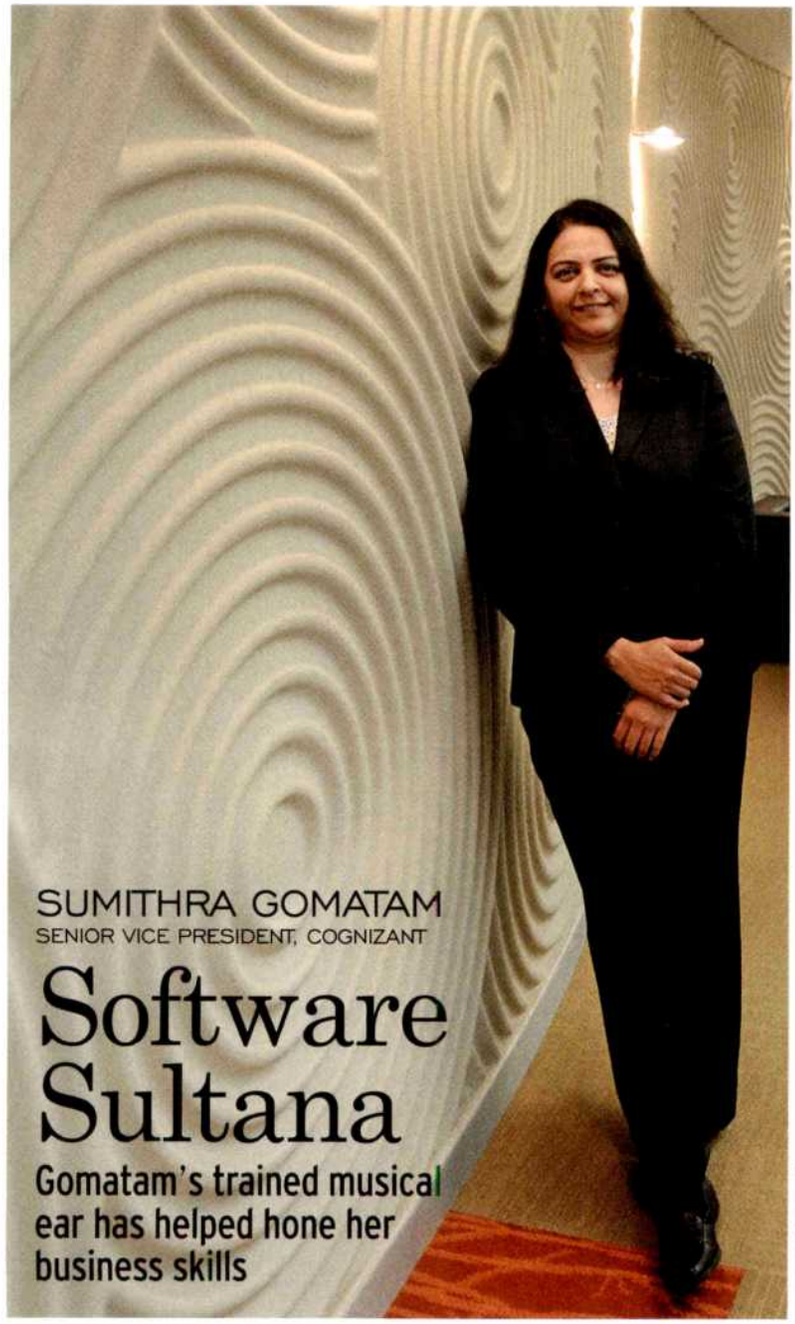
I AM A CONTROL FREAK. I THINK IT IS IMPORTANT TO PAY ATTENTION TO DETAIL

"I struggled a lot in the UK," Dalmia says. "For the first two months, I couldn't even pay my grocery bills." She adds with a laugh: "But in the restaurant business, at least you won't starve."

The revenue of Riga Food, the company that owns the restaurants, was ₹15 crore in 2012/13. She expects it to be ₹18.5 crore in 2013/14.

Experts say international cuisines are catching on in India. "Pasta, pizza and lasagna have been here for a long time, but now people are ready to explore and spend more," says Saloni Nangia, president at Technopak, a consultancy. Dalmia, she says, has been "one of the trendsetters in high-end Italian food". And India has worked up a *buon appetito*.

DEARTON THOMAS HECTOR



SUMITHRA GOMATAM
SENIOR VICE PRESIDENT, COGNIZANT

Software Sultana

Gomatam's trained musical ear has helped hone her business skills

H.K. RAJASHEKAR/www.indiatodayimages.com

Sumithra Gomatam is a vainika. She grew up in Tamil Nadu learning the veena – and over the years, listening to the distinctive resonance of the string instrument helped her in unintended ways. It sharpened her listening skills and shaped her thinking – qualities she uses in her line of business today.

Gomatam, 46, is Senior Vice President at Cognizant Technology Solutions, India's second-largest IT services company. Her listening skills fit well with the company's remote delivery model where staff attend to customers in different time zones over the phone. That is just one of the skills that make her a great leader. She also has enormous conviction and the ability to execute.

ON THE GLASS CEILING

IT IS A MYTH. HOW MUCH OF YOURSELF YOU WANT TO GIVE DETERMINES HOW FAR YOU CAN GO

Gomatam has built Cognizant's software testing practice from about 800 people in 2004 to over 23,000, one of the largest in the Indian IT industry. She also heads service delivery for business units such as retail, insurance, life sciences, manufacturing, media and entertainment, which together account for 50 per cent of the company's over $7 billion revenues. "Her energy and ability to just keep challenging and the firmness she exhibits in dealing with situations make her stand out," says Lakshmi Narayanan, Vice-Chairman of Cognizant. "She is a bold decision-maker."

Gomatam showed signs of being a leader early. She joined Cognizant from TCS in 1995 and played a part in many of the company's milestones. In 2005, Cognizant wanted her to drive testing. "We had phenomenal growth in the following years. It is an area where Cognizant is a leader in the marketplace globally," she says.

Has being a woman ever been a drawback? In nearly two decades with the company, Gomatam says she has never faced the glass ceiling. "You have to give a lot of yourself to meet clients overseas. How much of yourself you want to give determines how far you can go," she says.

GOUTAM DAS

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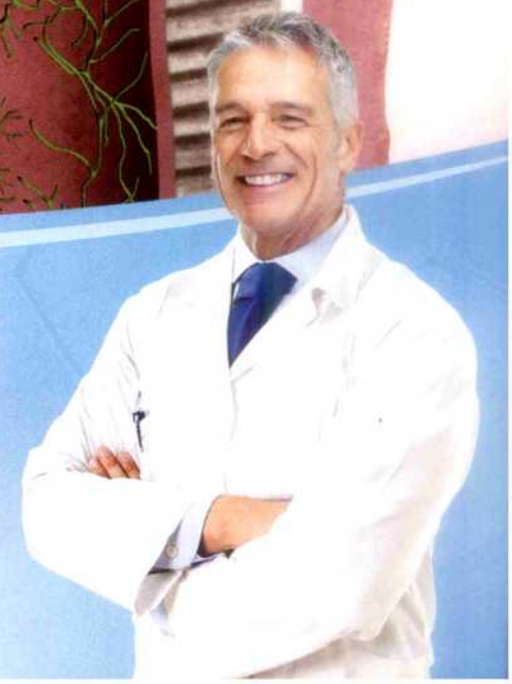

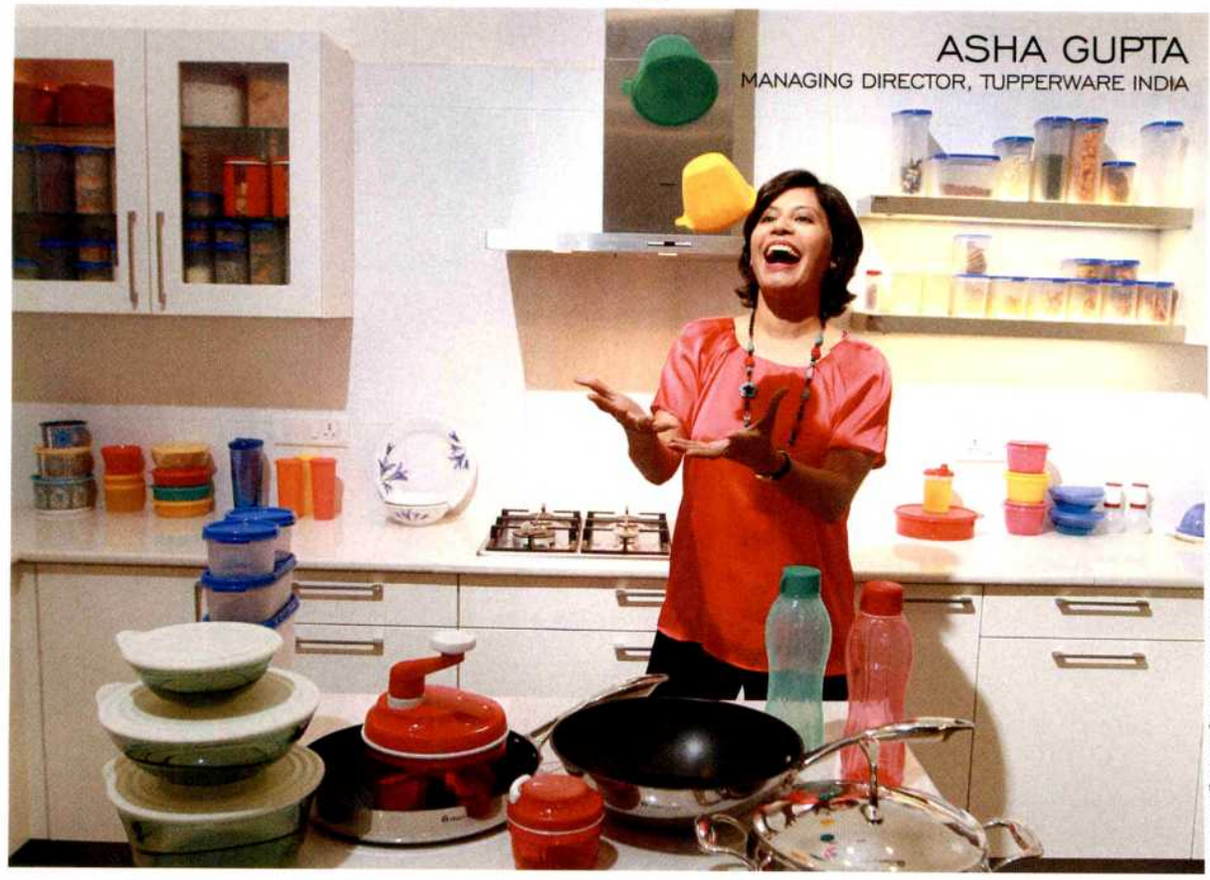

ADITYA KAPOOR/www.indiatodayimages.com

Princess of Plastic

The Tupperware India chief has nurtured several women entrepreneurs

Tupperware India Managing Director Asha Gupta understands the mind of her customer. Which is why she became top boss of the Indian unit of the US company known for food storage containers at just 33. "Often I have been the youngest MD at CEO forums," says Gupta. "The softer side of me grew very fast."

Gupta, 41, has led Tupperware India to one of the global parent's top five units in terms of business size. But convincing Indian women to ditch stainless steel for plastic has not been easy. "Time and resources were limited and I had to take strategic calls," says Gupta. "A well-heeled direct selling model was the only bet to drive sales."

Today, Tupperware parties are part of the everyday lives of many Indian women. And Gupta has helped nurture several women entrepreneurs – all working out of their homes. With 115 women distributors from different backgrounds, Gupta measures her success by the number of people she has nurtured and not conventional financial indicators. The women are not the only ones making money. Tupperware India has also grown at a rapid clip – 38 per cent in 2012 compared with six per cent globally.

ON THE GLASS CEILING

IT IS A DISAPPEARING CEILING. WE HAVE AMPLE EXAMPLES OF WOMEN WHO HAVE BROKEN IT

"Entrepreneurship needs to be developed because our society doesn't teach women to become entrepreneurs," says Hina Shah, Director of the Ahmedabad-based International Centre for Entrepreneurship and Career Development. Shah is one of the faces of 'She Can, You Can', Tupperware India's TV campaign.

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SHANTI EKAMBARAM
PRESIDENT, CORPORATE & INVESTMENT BANKING, KOTAK MAHINDRA BANK

A Bankable Star

The veteran banker is undeterred in the face of tough market conditions

Shanti Ekambaram says she used to "haggle over interest rates" with Uday Kotak when she started her career about 25 years ago at Canadian lender Bank of Nova Scotia. Kotak, now executive vice chairman of Kotak Mahindra Bank, was heading brokerage Kotak Securities at the time. After a short period with Bank of Nova Scotia, Ekambaram got offers from Deutsche Bank and Standard Chartered Bank. "I was ambitious," she says. But Kotak roped her into Kotak Mahindra Bank, where she has stayed ever since. "Shanti has grown in stature over the years and has played an important role in building our corporate and investment banking businesses," Kotak told *Business Today* via email.

As president of corporate banking at Kotak Mahindra Bank, Ekambaram, 50, looks after the biggest profit contributor at the lender. Pre-tax profit from corporate banking jumped 21 per cent to ₹1,211 crore in 2012/13. The bank's total pre-tax profit was ₹1,972 crore. An avid traveller, Ekambaram also heads the bank's investment banking unit, which improved its performance last fiscal year despite difficult conditions in equity and debt markets. Pre-tax profit at the unit more than doubled to ₹23.53 crore in 2012/13.

Unlike some rivals like Bank of America, Ekambaram hasn't gone in only for a few big deals and rich clients. Her team has been casting the net wide to add clients from newer sectors. The investment banking unit completed 16 stock-market transactions in 2012/13. This included share sales of state-run NTPC and Steel Authority of India Ltd as well as the initial public offerings of Bharti Infratel, PC Jeweller, CARE Ratings, and Speciality Restaurants. In the debt market, Ekambaram helped Piramal Healthcare raise ₹1,800 crore and HPCL-Mittal Energy mop up ₹1,000 crore through bonds. She led 19 major merger and acquisition transactions as well.

What sets her apart? Her greatest strength is her "ability to persuade somebody and bring that person on board," says Bharat Doshi, Group Chief Financial Officer at Mahindra & Mahindra, who worked with her on the automaker's recent alliance with Spanish company CIE Automotive.

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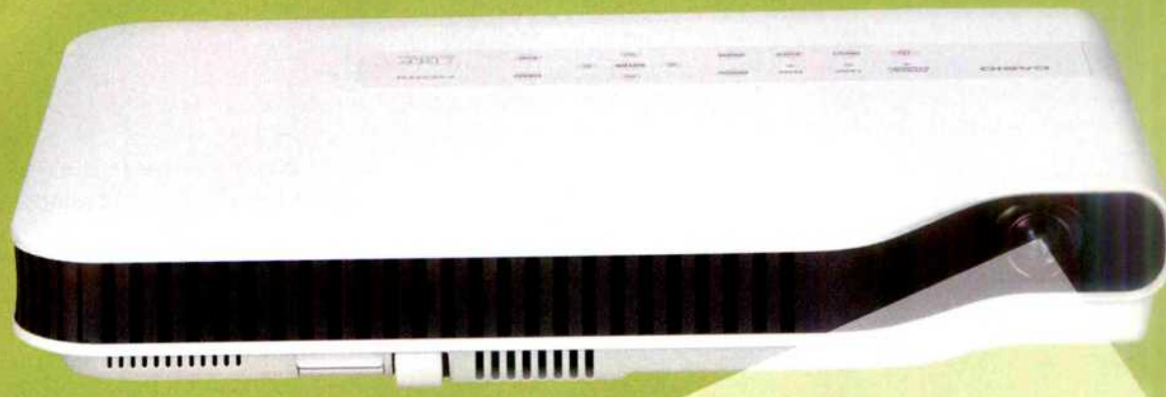

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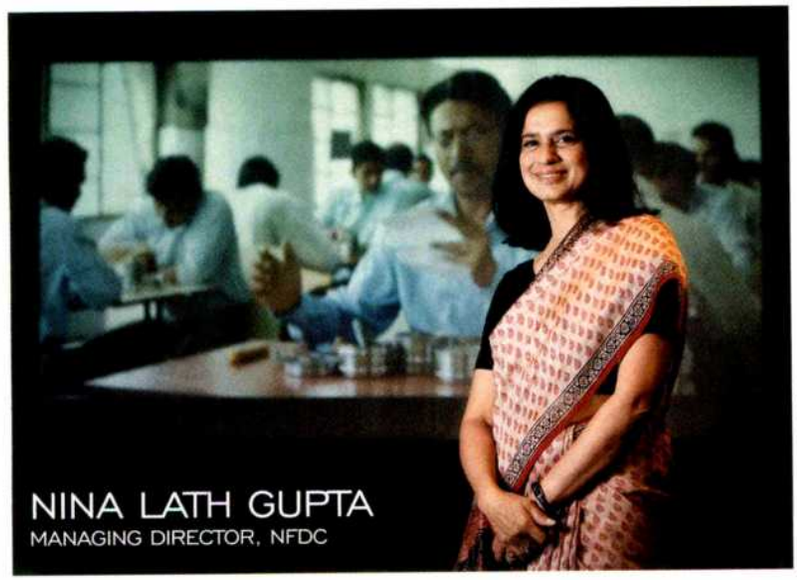
The Turnaround Artist

After its glory days in the 1970s and early 1980s, National Film Development Corporation became nearly defunct. Nina Lath Gupta gave it a new lease of life

National Film Development Corporation (NFDC) has come full circle. In the 1970s and early 1980s, it was the driving force behind what is often called India's art house or parallel cinema. The state-run agency backed directors such as Mira Nair, Ketan Mehta and Kundan Shah to make timeless classics such as *Salaam Bombay*, *Mirch Masala* and *Jaane Bhi Do Yaaro*. But it lost its way in the following decade. Bureaucratic apathy plunged the company tasked with promoting Indian cinema into the red and made it almost defunct.

The situation, however, has changed again in the past five-six years. NFDC is again producing movies which win acclaim the world over. It is also back in the green. And the person leading the turnaround is Managing Director Nina Lath Gupta.

How did she revive NFDC? Gupta, 48, took over as MD in 2006 after quitting the Indian Revenue Service. She knew she had to make some tough decisions to put the company back on its feet. She cut the number of staff by half to about 100. She closed three offices – in Guwahati, Secunderabad and Bangalore – in 2007. After the restructuring, she hired investment bank SBI Capital Markets to raise ₹46 crore in 2010.



NINA LATH GUPTA
MANAGING DIRECTOR, NFDC

NISHIKANT GAMRE

I, ME, MYSELF

I LOVE MY WORK... EACH TASK IS DIFFERENT, LIKE EACH NEW FILM

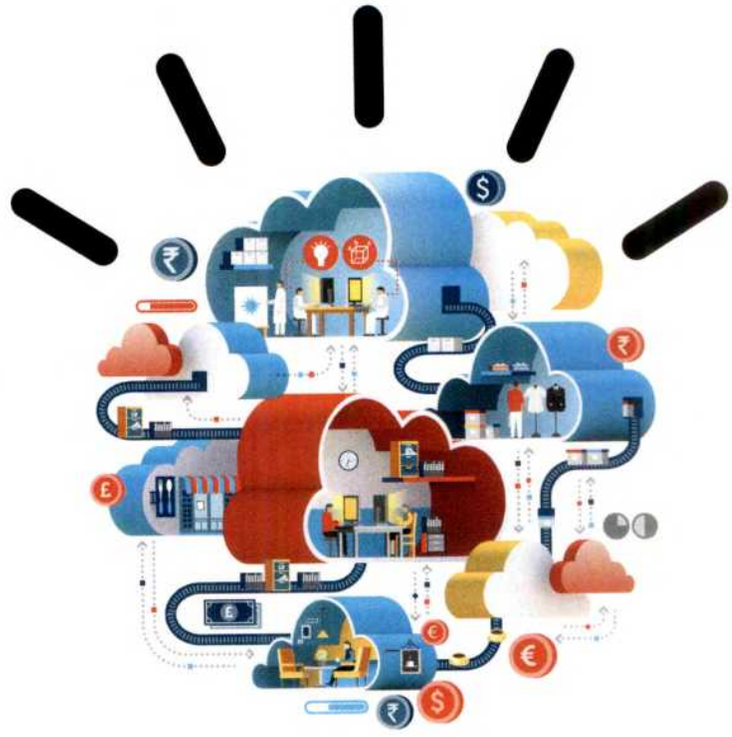
Gradually, NFDC resumed its support to alternative cinema and little-known filmmakers. Through its Film Bazaar initiative, launched in 2007, it tied up with buyers and sellers of movie rights and promoted its movies at festivals. It signed co-production deals with filmmakers and production houses. In March 2012, NFDC launched its Cinemas of India distribution brand to release its old movies after picture and sound restoration. NFDC has so far released 70 movies under the brand and plans to launch a voice-on-demand platform online. It also set up NFDC Labs to impart training to writers and directors.

The steps have improved its finances. Revenue rose to ₹251.24 crore in 2012/13 from ₹17.31 crore in 2008/09. It posted gross profit of ₹8.45 crore last fiscal year versus a loss of ₹7.35 crore in 2008/09. "It's great to set milestones and achieve them," she says. "NFDC is not purely business. It's multi-dimensional."

In 2012/13, NFDC produced or co-produced seven feature films, including the Dibakar Banerjee-directed *Shanghai*. Another was Gurvinder Singh's debut film, *Anhey Ghorhey Da Daan* (*Alms for a Blind Horse*), which premiered at the Venice International Film Festival and won three National Awards and the Golden Peacock Award at the International Film Festival of India 2012. *Tasher Desh*, a Bengali feature film directed by Qaushiq Mukherjee, Anand Gandhi's *Ship of Theseus* and Ritesh Batra's *The Lunchbox* also received critical acclaim.

Singh says Gupta is particular about the movies she picks. She knows what's happening in world cinema. "She will back a film if it has content, and scope outside India. My film, with a limited release, did well overseas in many festivals," he says. "I don't know where I would've gone had NFDC not backed my movie."

ARUNIMA MISHRA



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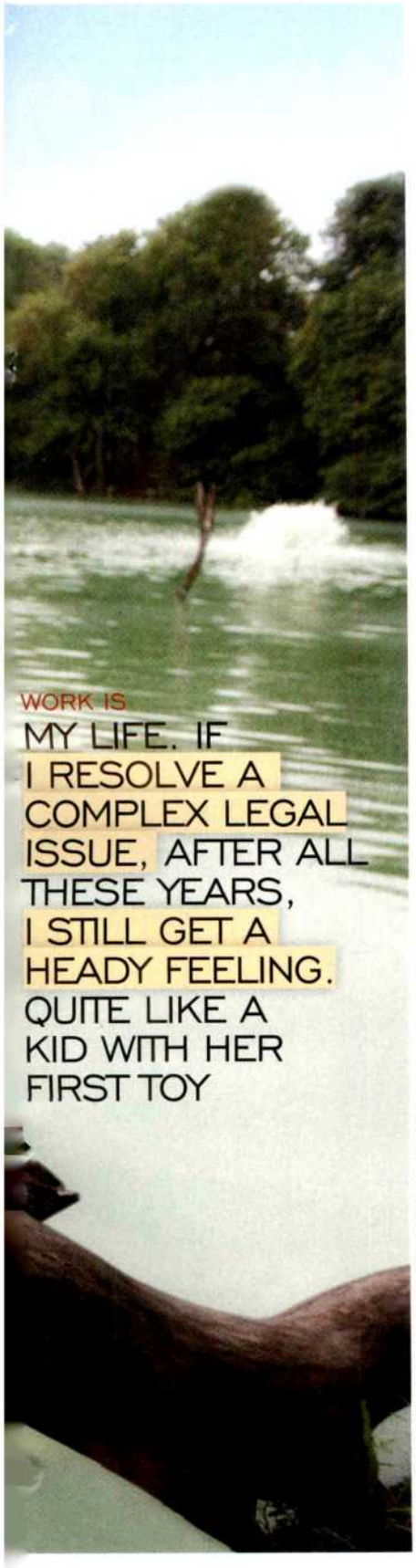


VIVAN MEHRA/www.indiatodayimages.com

MADHURIMA MUKHERJEE
PARTNER, LUTHRA & LUTHRA LAW OFFICES

Capital Gains

She has made her mark as a capital market lawyer, but is not ready to rest on her laurels

It is a regular Saturday afternoon. Madhurima Mukherjee has just had lunch and is comfortably perched on a couch in the drawing room of her house in South Delhi's Geetanjali Enclave. She appears relaxed as she watches her husband play with the kids. But beneath her calm exterior, she confesses to feeling uneasy lately. Her worry? "The capital market has been so volatile and is crashing every six months. As I grow older this troubles me more and more," she says.

Mukherjee, a 39-year-old Partner with Delhi-based law firm Luthra & Luthra Law Offices, is often referred to as the "queen of capital markets". In the 16 years of her legal career she has been part of some of the most high profile capital raising efforts in the country. Even in the last financial year, not a particularly good one for public issues, she helped companies raise ₹18,389 crore.

A law graduate from the National Law School, Bangalore, she joined the profession in 1997, when Amarchand Mangaldas, the country's largest law firm, hired her through an on-campus placement. She spent her initial years there honing her skills as a capital market lawyer, specialising in raising equity.

When Mukherjee moved to Luthra & Luthra six years ago, the firm had hardly any capital markets business. She was entrusted to build a team and a business virtually from scratch. Today, her team is considered one of the best in the country.

Perhaps Mukherjee's biggest success to date has been the Coal India Initial Public Offering (IPO) in 2010. The company chairman, Partho Bhattacharya, was initially sceptical of her ability to manage the issue. "How can I explain things to you, you are half my age," he had told her. Mukherjee asked him to "give it a shot". Coal India eventually raised ₹15,199 crore, in what has become the country's largest IPO so far.

Today, Mukherjee's nine-page resume lists 85 significant transactions across IPOs, overseas listings, rights issues and debt offerings. The prominent IPOs she has handled include the issues by Bharti Infratel, Cairn India, Oil India, and Maruti Udyog.

Despite her reputation, Mukherjee is not content to rest on her laurels. "If you want to be the lawyer generations after you talk about, you need to be a trusted advisor, too," she says. She is working hard to assume this role, her model being Zia Mody, Managing Partner of AZB & Partners. Mukherjee's success is all the more remarkable as the legal profession is still largely dominated by men. She says that often at work, in a room full of men, she is the only woman. "I am representing a narrow segment of the profession," she adds with a smile.

SUNNY SEN

ANUPAMA AHLUWALIA

VICE PRESIDENT, MARKETING, INDIA AND SOUTH WEST ASIA, THE COCA-COLA COMPANY

Drinking in Experiences

She has helped Coca-Cola India steal a march over arch rival PepsiCo

The excitement in her eyes is hard to miss as she shows you pictures from a trip to Guwahati. "This is outside Kamakhya Devi Temple," says Anupama Ahluwalia, marketing strategist at Coca-Cola India, pointing to a woman at a kiosk. "She has a kiosk that sells our brands. It is a hotspot for teenagers. This is the retailer we have to connect with and develop a long-term partnership with. This can happen only by developing an emotional connect."

It's a lesson Ahluwalia, 45, learned when she had her first brush with marketing while selling Collier's Encyclopedia in 1998. The direct marketing job was only meant to gain some work experience before an MBA – but ended up teaching her much more. "From making cold calls, multiple visits, follow-ups, reaching out to the customer, I did it all," she says. "A sale happens only when you understand the emotional needs of a consumer."

The experience was invaluable. Today, Ahluwalia has helped the cola giant steal a march over arch rival PepiCo in India with her smart marketing strategies, including tactical price cuts and increased spending on marketing. According to market estimates, Coca-Cola has 56.7 per cent share of the cola market compared with PepsiCo's 34.1 per cent. She has roped in leading film stars to endorse the company's products. She

brought Salman Khan back as Thums Up's brand ambassador in 2012 after more than 10 years and signed on Kareena Kapoor as the face of Limca. "The big challenge is to leverage the strength of every brand and make it grow," she says.

Brand expert Harish Bijoor says a marketing person is judged by her brand. "This is a 360-degree approach, covering all aspects that relate to advertising, marketing, PR and consumer acceptability of a brand. Ahluwalia has emerged as a front-runner."

It's a long way since Ahluwalia got an MBA in marketing from Mumbai University and began working with Voltas in 1991. She later spent 13 years at Colgate-Palmolive India and Thailand, and did a four-year stint drafting new product strategies and revamping product portfolios at Idea Cellular. "She is articulate in putting her point of view across and, at the same time, she is also receptive to others' ideas," says her former boss at Idea Cellular, Sanjeev Aga.

Ahluwalia values relationships and swears by work-life integration. She has a passion for languages, and is learning Spanish. When at home, the marketing whiz loves to cook anything from paneer bhujia to Thai Curry. "If you enjoy what you do, everything else falls in place," she says. "Work is a form of expression for me. My entire day goes in building conversations – from retailers, sales teams to market visits and so on. A new experience every day keeps me motivated."

SARIKA MALHOTRA

ON THE GLASS CEILING

IF YOU THINK IT IS A CEILING, THEN IT IS A REALITY. THE QUESTION IS, WHY DO YOU SEE IT AS A CEILING? IT'S ABOUT YOUR OWN PERCEPTION. OTHERWISE THE SKY IS THE LIMIT

Well Connected

Kirthiga Reddy, 42, who was Facebook's first employee in India and set up its India operations, says her company believes in investing in women, and has hired some women leaders even while they were pregnant. She is currently relocating from Hyderabad to Mumbai as she leads Facebook's global marketing solutions teams in India. She is playing a key role in building and maintaining strategic relationships with agencies and clients. "There is an increasing shift from seeing Facebook as a community-building platform to one that drives business objectives," she says. "My goal is to partner with brands to understand their objectives and challenges and see how Facebook can help them." An MBA from Stanford University, she is also Vice Chairman of the Internet and Mobile Association of India. As of end-June, Facebook had 82 million monthly active users in India.

E. KUMAR SHARMA

A. PRABHAKAR RAO

Forever at Work

NISHIKANT GAMRE

With economic and political conditions deteriorating rapidly, **Archana Hingorani**, CEO and Executive Director, IL&FS Investment Managers Ltd, has helped steer the fund to focus its investments on new emerging opportunities, as well as appropriate follow-ons in existing investee companies. "The mandate was to ensure that these investments had the capacity to succeed in a highly challenging economic environment," says Hingorani, 47. IL&FS recently invested ₹1,200 crore across infrastructure and real estate verticals. In 2012, IL&FS launched its first Middle East-focused infrastructure fund to aggregate resources of $300 million. Work for her is intellectual stimulation. "We are working 24x7. The BlackBerrys make sure that we are on the job, all the time," she says.

SARIKA MALHOTRA

NILOTPAL BARUAH

Prized Stock

In April this year, **Chitra Ramkrishna**, 50, who has been with the National Stock Exchange (NSE) since its inception in 1994, became its first woman Managing Director and CEO, indeed the first such at any Indian exchange. She believes in leading from the front. "We are trying to create a workforce that is multicultural, multigenerational and has equipoise

Big Is Beautiful

NISHIKANT GAMRE

In a dismal economic climate where everyone is being cautious, **Kaku Nakhate**, President and Country Head India, Bank of America Merrill Lynch, talks about expanding. Unwilling to follow the herd, all the more over the past year, Nakhate, 47, is now looking at just the biggest deals. "We don't want to be in every small deal," she says. Well, no deal has been written about more in the last few months than the one involving Jet Airways and Etihad, in which Bank of America Merrill Lynch played a major role. A smaller, but in no way less important, one was the Apollo Tyres' acquisition of Cooper Tires, a rare US acquisition by an Indian company.

SUPROTIP GHOSH

Feathers in her Cap

Under CEO **Aruna Jayanthi**, Capgemini India saw a significant revenue increase of more than 16 per cent in 2012 and added nearly 8,000 people at a time when many companies slowed hiring because of the poor macro-economic climate. The French IT company's Indian arm also won landmark deals, one of which was completely engineered out of India. In July 2012, the company took over the operations of German chemicals and pharmaceutical company Bayer's captive IT unit in India. As Jayanthi, 50, puts it: "Any deal that Capgemini does today, doesn't happen without India playing a significant role."

GOUTAM DAS

leadership," she says. As for her responsibilities, she certainly has her work cut out, with the Bombay Stock Exchange, NSE's closest rival, trying to bring back its glory days, and the new exchange MCX-SX already commencing operations earlier this year. The glass ceiling does not bother her. "Women have known about glass ceiling barriers, but we should celebrate the successes instead of flogging this issue," she says.

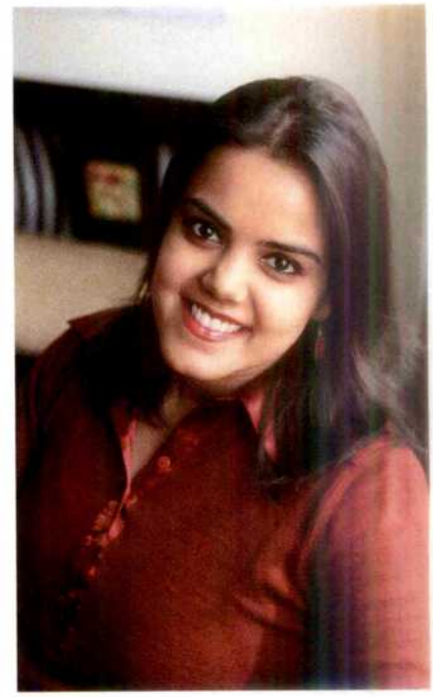
MAHESH NAYAK

NISHIKANT GAMRE

Art of Gold

When **Neha Kirpal**, 33, started the India Art Fair – today the world's second-largest art fair in terms of footfalls – in 2008, it had only 34 galleries, 10,000 visitors from just two countries and was held in a 3,000 sq. metre venue. The 2013 edition had 105 galleries, 90,000 visitors from 24 countries and was held at a vast 21,000 sq. metre venue. It garnered revenues of ₹10 crore. "In the last two years, there has been a surge in corporate sponsorship. Companies see the art fair as a platform to target HNIs (high net worth individuals)," says Kirpal. She expects revenues of ₹12 crore from the 2014 edition. As for work-life balance, few manage it better than her. "I delivered my baby in October 2012 and delivered the art fair in January 2013," she says.

DEARTON THOMAS HECTOR



REUBEN SINGH

RACHIT GOSWAMI

Sage Advisor

There are top industrialists consulting her all the time, on every financial matter from investing to restructuring. "Conserve cash, that is what I tell my clients," says **Zarin Daruwala,** 48, President, Wholesale Banking, ICICI Bank. The bank's domestic corporate loans stood at 32.5 per cent on March 31, 2013, as compared to 28.6 per cent last year. Net interest income from the wholesale banking segment rose 38.7 per cent to ₹6,846 crore. The biggest challenge, says Daruwala, is "to ensure that clients do what we recommend in this challenging environment". Away from her job, she loves to read, especially on flights. The last book she read – *Great by Choice* by Jim Collins – discusses companies that have weathered crises.

SUPROTIP GHOSH

Promoting Choice

In 2012, while still with Hindustan Unilever, **Leena Nair** introduced the innovative 'Career by Choice' programme to enable women who had dropped out to return to work. She brought back 28 such women, improving the gender balance in the organisation. Nair, 43, now London-based Senior VP, Leadership and Organisation Development at parent company Unilever, also has the distinction of being the first woman at HUL to deal with employee relations in a factory. "Before my (current) assignment not many knew me, but the fact that I had the MPW recognition, gave them the confidence I could deliver," she says.

SARIKA MALHOTRA

Highly Rated

In the past year, CRISIL Ltd has rated more than 10,000 small and medium enterprises, improving their chances of accessing funding from banks. But the challenge for **Roopa Kudva,** MD and CEO, remains that of "the difficult economic scenario and managing international expansion" during it. CRISIL has also launched Inclusix, an index that tracks financial inclusion in each of India's 630 districts. This non-profit exercise is the country's first attempt at calibrating financial inclusion. In her spare time, Kudva, 49, likes reading biographies and autobiographies. "I am interested in people and what makes them tick." The one that made the deepest impression was a biography of the late Yehudi Menuhin, the celebrated American conductor and violinist.

SUPROTIP GHOSH

UMESH GOSWAMI

Bright Spark

In 2006 the Godrej Group, under the leadership of Executive Director and Chief Brand Officer **Tanya Dubash,** kicked off an ambitious brand valuation exercise. Dubash, 44, identified four segments – consumer products, furniture, appliances and properties – and decided to promote them as the group's 'hero' categories, which provide 'brighter living' to its consumers. In the past year, Dubash has taken the brighter living positioning a step forward by introducing an 'innovation' quotient – the most innovative consumer offerings would come from the group. The company's new ad campaign, 'Ideas that Make life Brighter' says it all.

AJITA SHASHIDHAR

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RACHIT GOSWAMI

Capital Performance

Raising capital comes naturally to **Vishakha Mulye**, Managing Director and CEO, ICICI Venture Funds Management Company. From 2005 to 2007, she was the Chief Financial Officer at ICICI Bank – under her the bank raised close to $7 billion in equity capital and several billion dollars in debt financing. Mulye, 44, finds raising capital in the post-Lehman world "tough yet truly satisfying" and insists that private equity investment "is a long-term game". In 2012/13, she led investments worth $100 million, including a couple in the beleaguered real estate sector. And even as fund raising and exits became increasingly difficult, she helped raise funds worth $500 million and had an impressive $125 million worth of exits the same year.

SARIKA MALHOTRA

Unchallenged

"A good year" is how **Vinita Gupta**, Group President and CEO at Lupin Pharmaceuticals, describes her company's performance at a time when unsettling news was the key takeaway for pharma companies. Lupin grew by an impressive 35.9 per cent globally and 24 per cent in India. New product launches helped it grow its generics business by 52 per cent, making it the sixth-largest generics pharmaceutical company globally by market capitalisation and the third-largest Indian pharmaceutical company by revenues. "I can't think of any challenges that affected Lupin's performance during the last fiscal year," says Gupta, 44. The company's strategy now is to focus strongly on building its branded business globally.

MANISHA SINGHAL

NISHKANT GAMRE

Raising a Reputation

At a time when banking stocks are falling due to liquidity tightening by the Reserve Bank of India, **Vedika Bhandarkar**, Vice Chairman and Head of Investment Banking, Credit Suisse, managed to raise close to ₹1,840 crore for ING Vysya Bank. Indeed, the money came in at a premium of ₹611 per share against the market price of ₹605. In the last 18 months, Bhandarkar, 45, has been involved in some 16 deals, the most important being the one where she helped Thomas Cook sell its India business. "Clients have long memories and they keep in mind who has delivered what. You have to come up with ideas that catch clients' attention. Walk-in business is very rare in our business," she says.

MAHESH NAYAK

Hard Work in Lean Times

The past six months may have been quiet for Indian equity markets, but not for **Aisha de Sequeira**, 43, Co-Country Head and Head of Investment Banking at Morgan Stanley, and her team. While last year she was busy advising domestic clients such as the Vedanta Group on restructuring, this year she has been deeply involved in M&A advisory, what with Morgan Stanley holding a 30 per cent market share in cross border transactions in the past five years. She feels that despite the current volatility, India is strategic and has become important for global corporations. ◆

MAHESH NAYAK

NISHIKANT GAMRE

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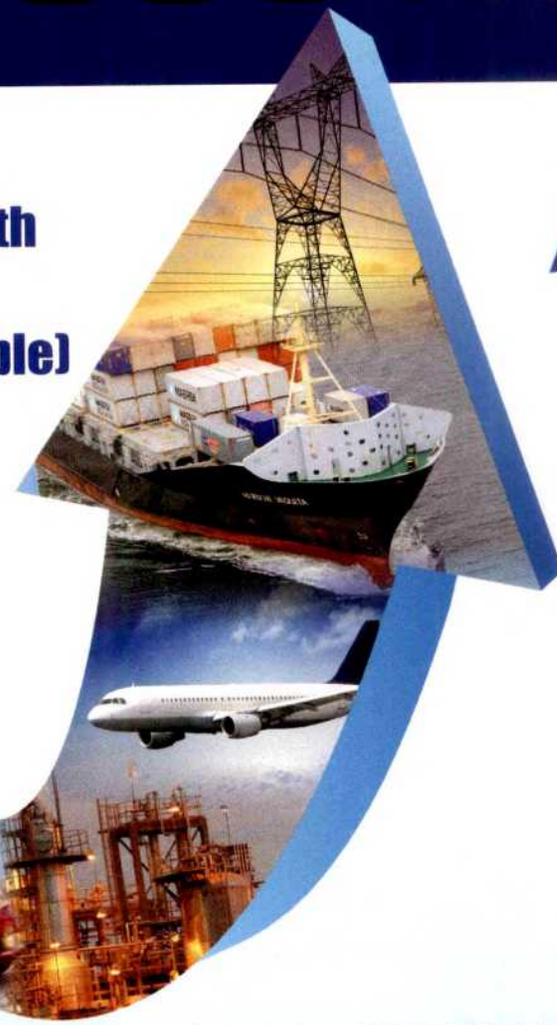

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Money in the Message

Messaging apps are prepping for monetisation by beefing up their user base. By NANDAGOPAL RAJAN

Calling the toon: Jun Masuda of Line Corp with some of its sticker characters

VIVAN MEHRA/www.indiatodayimages.com

Smileys were always popular, but they never got the cult status that stickers – the new, larger emoticons – have gained. The fad, started by the Line messaging app in Japan, is now big enough to prompt TV shows featuring sticker characters in the country, and local versions of stickers in other countries. But the biggest indication that the stickers from Japan had become a global phenomenon came when Facebook adopted them, first on mobile and then on web chat.

Characters such as Cony, a cartoon rabbit, and his bear friend Brown, are more than conversation fillers when chat junkies are at a loss for words – they are good business. Line Corporation, which owns the Line messaging app, made $27 million in the second quarter of 2013 from these expressive chat icons – about 27 per cent of its $101 million revenue for the period. The app's revenue grew 66.9 per cent over the first quarter, powered by impressive growth in traditional markets such as Japan, Taiwan and Thailand. Growth in numbers – crucial to the monetisation of these apps – will depend on growth in new markets, such as India.

Line made a dramatic Indian debut in July, raking up five million active users in three weeks. Global Chief Marketing and Strategy Officer Jun Masuda says its success marks a transition from open social networking services to closed ones. "People are tired of social networks," he says. "You don't talk to people you don't know, so why should you contact them on social networks? Line is where you talk to people who are close to you. This format does not tire people."

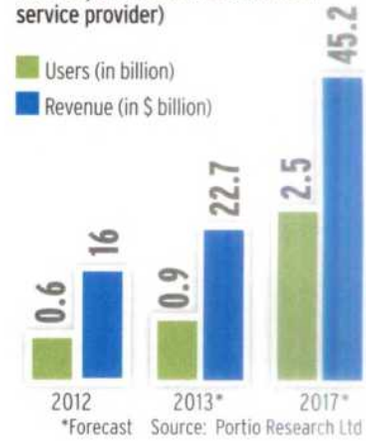
The closed model is Line's USP, and in Japan it is popular among couples. This also explains why people are willing to buy stickers within the app. After all, how many would do that to impress a boss? Line users send 7 billion messages a day, including a billion stickers. They also play games within the app, buying virtual items when stuck at a hurdle. These in-game purchases account for 53 per cent of revenues this quarter. Line plans to launch video calling this fall, besides Line Music and Line Mall, in Japan. It claims a user base of 230 million.

WeChat and its Chinese version, Weixin, claim over 300 million, which, according to the GlobalWebIndex, makes WeChat the fifth most used app in the world, with presence on 27 per cent of all smartphones. This is also why WeChat, owned by Chinese Internet giant Tencent, can afford to spend big on customer acquisition outside its base in China.

WeChat is not forthcoming on revenues, but Tencent's results for the first half of 2013, announced in mid-August, show that about 76 per cent of its $4.5 billion revenues comes from value-added services. WeChat makes money through apps on the platform as well, as by letting brands create pages to reach out to their customers. In an e-mail interaction from Hong Kong, spokesperson Katie Lee was noncommittal about whether a similar model is possible in India. "The success of WeChat really boils down to social experience and value we bring to users," she says. "We are working on the business model for international markets."

Strong Signal

'Over The Top' messaging (services used beyond those of the network service provider)



2013 Global Forecast

Hourly Revenue

SMS: $15 mn

OTT: $3 mn

Daily Traffic

22.4 bn
SMSes

28.6 bn
OTT messages

Source: Portio Research Ltd

Monetising Tricks

Brand pages are proving to be the best way to monetise these apps, especially in countries such as India, where in-app purchases are yet to gather steam. "Companies want to use our huge user base for promotions," says Masuda. "Stickers from companies can be free for users, but companies will have to pay Line for putting it online." He cites the examples of Hollywood studios, which create sticker sets to promote movies such as *Iron Man 3* and *Monster University*. In India, Sony was among the first to open an account on Line.

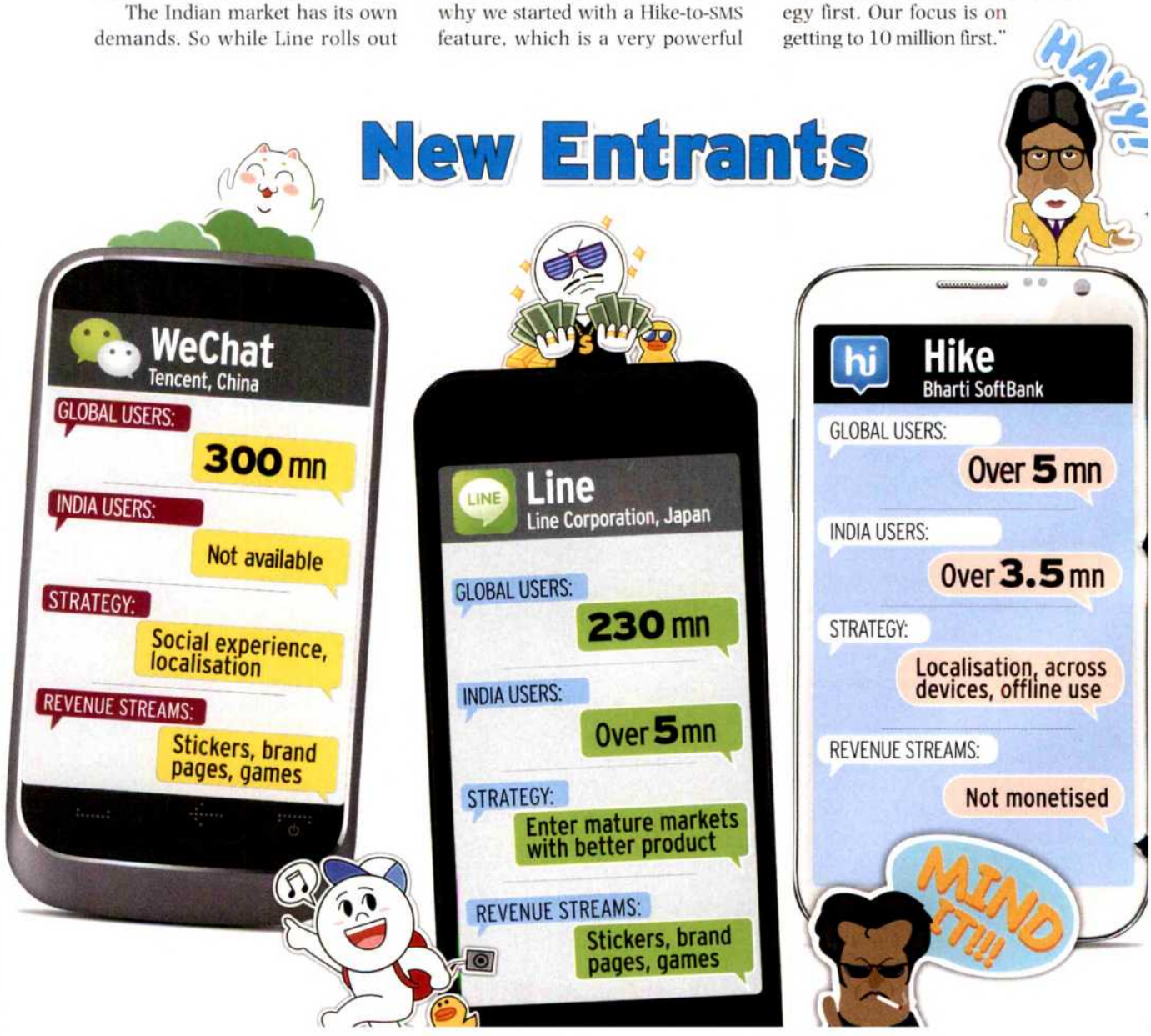
BlackBerry, too, has jumped on to the bandwagon. It is all set to take its popular BlackBerry Messenger (BBM) to the Android and iOS operating systems, and is testing its BBM Channels service, which will allow brands and content providers to maintain a page to post messages and video for their audiences. "They can see who is visiting the page and engage with them," says Annie Mathew, Director, Business Development and Alliances, BlackBerry India. "This also lets them create targeted and location-based advertising." BBM has 61 million users globally, and traffic exceeds 10 billion messages a day.

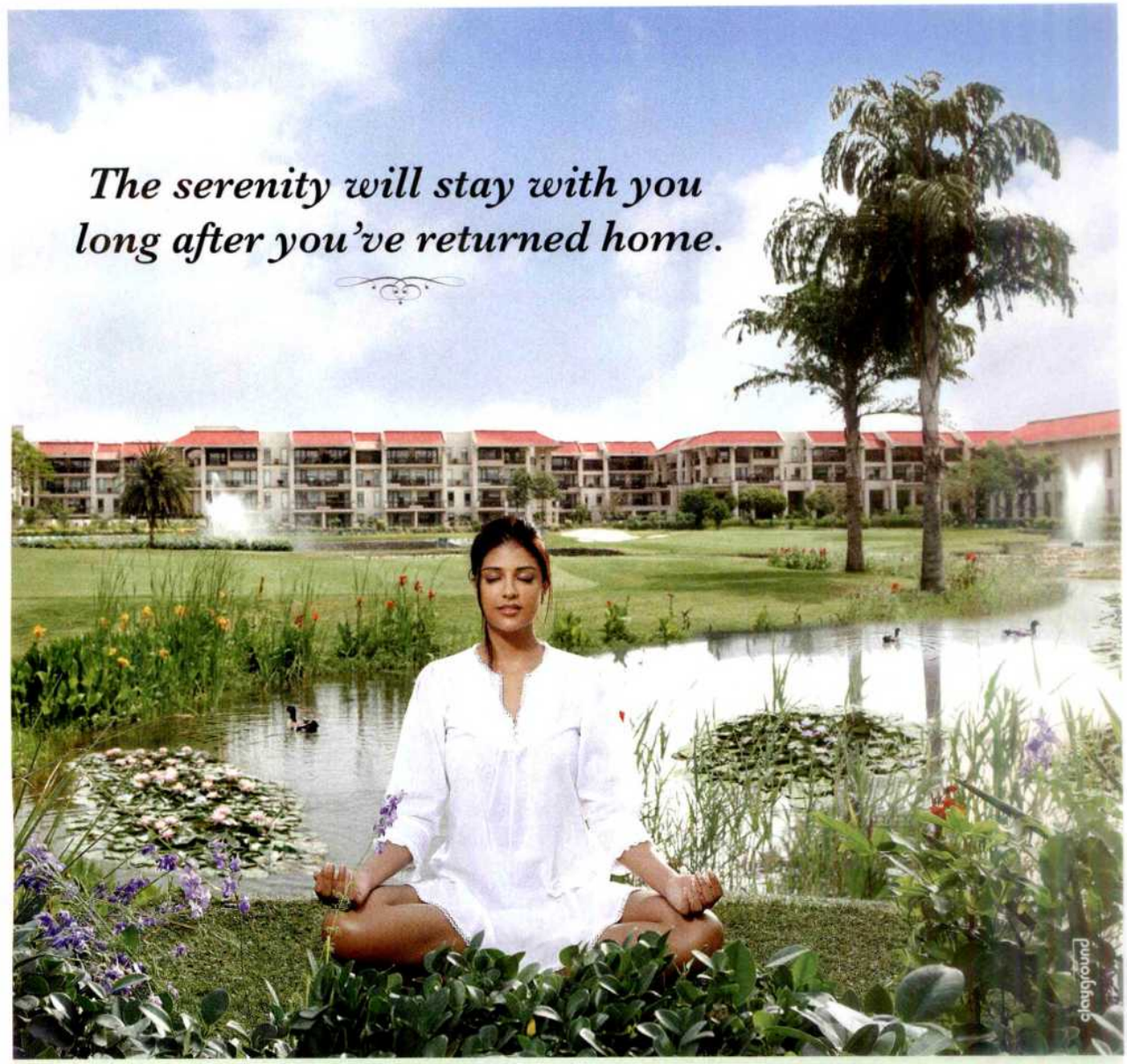
The Indian market has its own demands. So while Line rolls out Indian stickers and support for local languages, WeChat's money is on emoticons of Indian celebrities such as Parineeti Chopra and Varun Dhawan, as well as a tie-ups with Bollywood production houses.

With a *Dabangg* Salman Khan and a cigarette-flipping Rajinikanth on its sticker list, BhartiSoftBank's Hike seems to have the home advantage. "We wanted to find a solution for fragmentation, so that people would not have to use multiple apps," says Kavin Bharti Mittal, Head of Product and Strategy at BhartiSoftBank (BSB), a joint venture between the Bharti Group and Internet company SoftBank. "That is why we started with a Hike-to-SMS feature, which is a very powerful feature in India. This is now about 30 per cent of the one billion messages we do a month." Hike users can message even offline contacts. Mittal says this is needed, as 70 per cent of Hike users are based in India, where there is a "tendency to switch off data services often".

Launch Pad

Though Hike is not yet monetised, Mittal sees it as a large distribution platform on which he can promote the other BSB verticals, such as gaming and coupons. "It is important for a company like ours not to focus on revenue too early. You need to have the right product and business strategy first. Our focus is on getting to 10 million first."





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Changing with the Times

What older apps are doing to keep up

To achieve this, almost all messaging app companies have tied up with mobile manufacturers to preload their apps on new devices. Mark Ranson, a South Korea-based associate analyst on research firm Ovum's consumer team, says the possibilities are almost endless once the service has scaled. He says: "They can launch anything, depending on the market. Content services could be very popular. We are also coming to a stage where people are willing to pay even for messaging."

However, he concedes that in India, scaling up may take longer as far as revenue is concerned. "In Japan, users are willing to pay a lot for digital content. People will get more accustomed in time. But companies such as Line Corp and Tencent are not concerned with monetisation in the short term – they just want to become the largest player."

The Giants

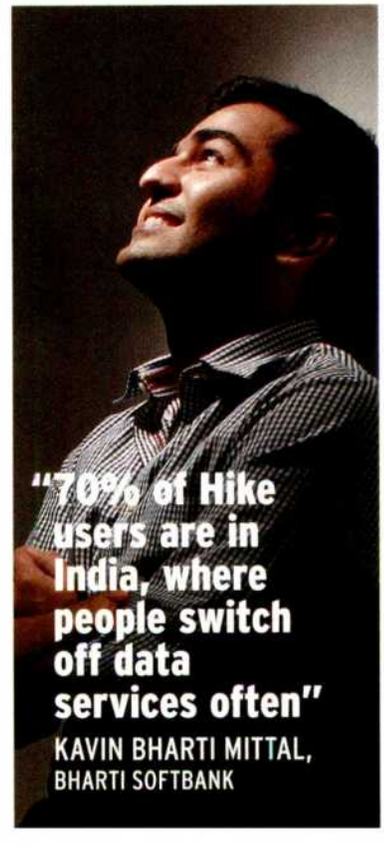
No discussion of scale can ignore WhatsApp, which has over 300 million users globally and a monthly average user (MAU) base of over 200 million. WhatsApp reportedly has over 20 million users in India although in an email response to *Business Today*, business development head Neeraj Arora said only that the "company was seeing tremendous growth in India". WhatsApp has a unique monetisation model – users pay $0.99 after a year of free use. Until July, the company charged iOS users this amount upfront. "With around 30 per cent of WhatsApp users being on iOS, this meant a monetisation of at least $100 million at any time," explains Sanchit Vir Gogia, Chief Analyst and Group CEO of New Delhi-based Greyhound Research.

The other big player is Facebook, with over 70 million users in India, a large chunk of them on mobile. It has a standalone messaging app, though Country Growth Manager Kevin D'Souza says messaging is deeply integrated and a part of the Facebook experience.

Facebook does not have a specific monetisation strategy for messaging. However, it is investing in ensuring that the message is delivered across devices and networks. "A large number of people is on feature phones, and that is a focus area for us," says D'Souza.

But with WeChat and Line closing in on MAUs, leaders such as WhatsApp may have to think up new ideas to stay in the game. "WhatsApp is at a pretty cool point in its life cycle," says Ovum's Ranson. "But for the best chance to maintain their strong position, they should look at other revenue streams."

He says there will be consolidation in India, as there was in South Korea, where KakaoTalk emerged as the leader after many others came and went. "Globally, there is going to be some fragmentation," says Mittal of BSB. "India will have at the most three players in the long run." ◆


ADITYA KAPOOR

"70% of Hike users are in India, where people switch off data services often"
KAVIN BHARTI MITTAL, BHARTI SOFTBANK

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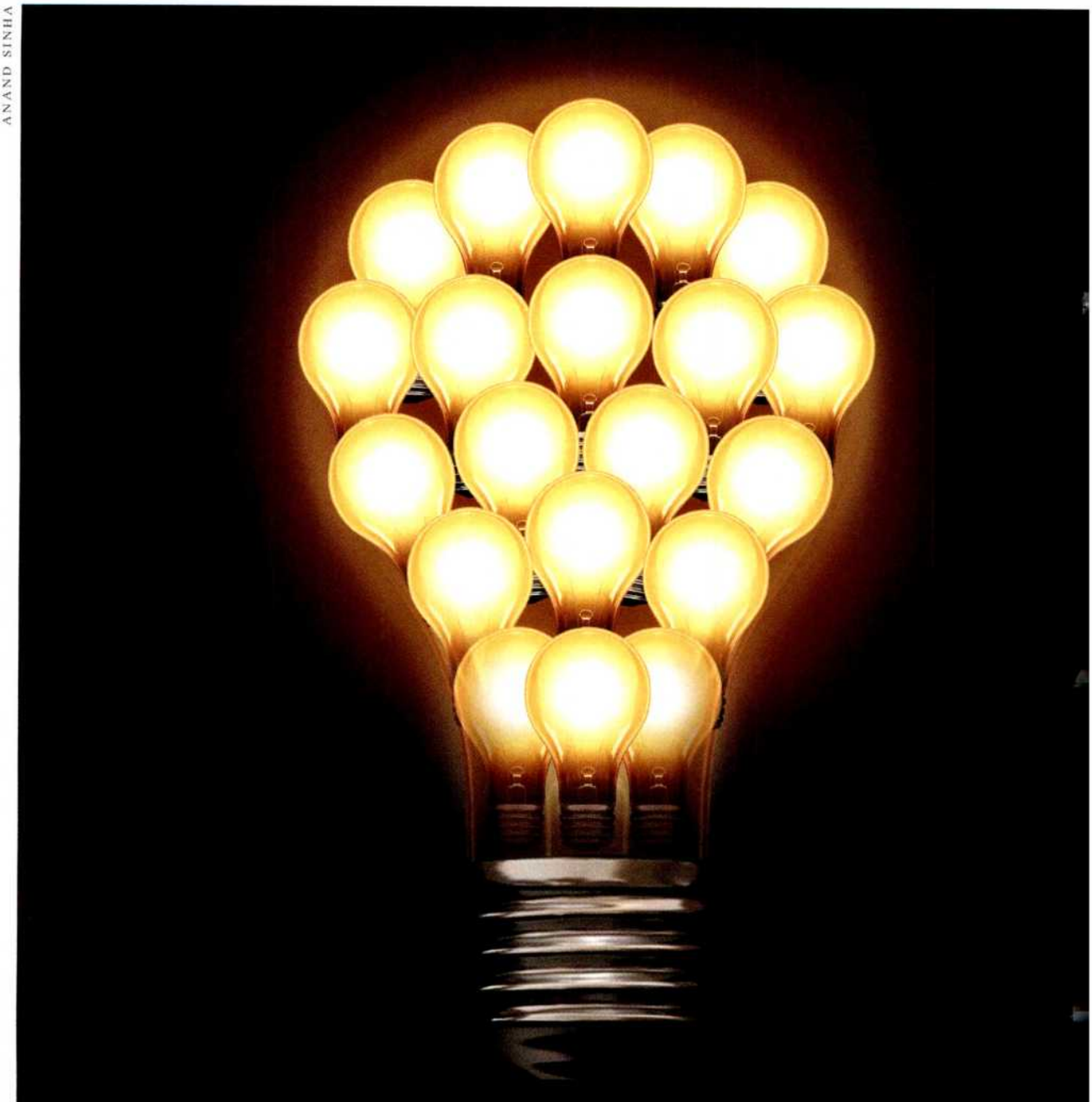

MAKING STAR TEAMS OUT OF STAR PLAYERS

Here's how smart companies deploy their best people to get great results.

By MICHAEL MANKINS, ALAN BIRD, and JAMES ROOT

When it comes to an organisation's scarcest resource – talent – the difference between the best and the rest is enormous. In fields that involve repetitive, transactional tasks, top performers are typically two or three times as productive as others. Justo Thomas, the best fish butcher at Le Bernardin restaurant in New York, can portion as much fish in an hour as the average prep cook can manage in three hours. In highly specialised or creative work, the differential is likely to be a factor of six or more. Before becoming chief justice of the US Supreme Court, John Roberts prevailed in 25 of the 39 cases he argued before the Court. That record is almost nine times better than the average record of other winning attorneys (excluding solicitors general) who have argued before the Court since 1950. (For other examples of star productivity, see *What "A" Players Bring to the Table.*) Across all job types, we estimate, the best performers are roughly four times as productive as average performers. That holds in every industry, geographical region, and type of organisation we've examined.

Why, then, do companies so rarely bring together a team of star players to tackle a big challenge? The easy answer – indeed, the conventional wisdom – is that all-star teams just don't work. Egos will take over. The stars won't work well with one another. They'll drive the team leader crazy.

We think it's time to reconsider that assumption. To be sure, managing a team of stars is not for the faint of heart. (The conventional wisdom is there for a reason.) But when the stakes are high – when a business model needs to be reinvented, say, or a key new product designed, or a strategic problem solved – doesn't it seem foolish not to put your best people on the job, provided you can find a way to manage them effectively?

We have seen all-star teams do extraordinary work. For example, it took just 600 Apple engineers less than two years to develop, debug, and deploy OS X, a revolutionary change in the company's operating system. By contrast, it took as many as 10,000 engineers more than five years to develop, debug, deploy, and eventually retract Microsoft's Windows Vista.

Common sense suggests that all-star teams would have two big advantages:

Sheer firepower. If you have world-class talent of all kinds on a team, you multiply the productivity and performance advantages that stand-alone stars deliver. Consider auto-racing pit crews. Kyle Busch's six-man crew is widely considered the finest on the NASCAR circuit. And each member is the best for his position – gas man, jackman, tire carriers, and tire changers. Crew members train together year-round with one clear goal in mind: to get Busch's #18 racer in and out of the pit in the shortest possible time. The crew can execute a standard pit stop – 73 manoeuvres, including refuelling and a change of all four tires – in 12.12 seconds. Add just one average player to Busch's crew – say, an ordinary tire changer – and that time nearly doubles, to 23.09 seconds. Add two average team members to the mix, and it climbs to well over half a minute.

Synergy. Putting the best thinkers together can spur creativity and ideas that no one member of the team would have developed alone. The blockbuster movie *Toy Story* – the top-grossing film of 1995 – wasn't the product of one visionary filmmaker. Rather, it was the result of an often prickly but ultimately productive collaboration among Pixar's top artists and animators, Disney's veteran executives (including Jeffrey Katzenberg, then head of the film division), and Steve Jobs. The Pixar team originally presented Disney with what Katzenberg deemed an uninspiring tale. A major revision – far more edgy, at Katzenberg's insistence – lacked the cheeriness essential to a family movie. Finally the all-star group came up with something that satisfied everyone on the team – and that would later be dubbed by *Time* magazine "the year's most inventive comedy."

To do their best, alpha teams need leaders and support staff who are all-stars too. Extremely talented people have often never worked for someone they can learn a lot from; in our experience, most relish the opportunity and pull out all the stops. And high-calibre subordinates allow team members to accomplish more. A gifted administrative assistant, for example, requires less direction and competently shoulders many routine tasks, so the other team members can focus on what they do best.

Let's look at what else you need to have in place before you even think about putting together a star team. We'll also examine what kinds of work these teams are best suited for and how to manage the very real difficulties they may present.

THE TABLE STAKES

Good Talent Management

A surprising number of companies don't follow basic best practices for talent management. Without these in place, there's no hope of making all-star teams effective.

Understand where your strengths are. Companies that are good at managing "A" players keep comprehensive, granular data on where their people are currently deployed, what those people do, how good they are in their current roles, and

how transferable their skills may be. The companies use that information to continually improve their staffing resources and deploy them more effectively. Take AllianceBernstein (AB), a $3 billion asset management company based in Manhattan and a leading equity research firm. The firm carefully rates each of its 3,700 employees every year along two dimensions: performance and potential. The senior team at AB spends several days together each year cross-calibrating both sets of ratings across the entire company.

It's also critical to understand employees' ability to fill roles outside their current one. When Caesars Entertainment, the gaming company, reorganised operations in 2011, the senior team not only developed a database on the performance and potential of the company's top 2,000 managers but also analysed the ability of the top 150 to take on new and different jobs.

Finally, watch out for talent hoarding. In too many organisations, star players are confined to a division, hidden from the leaders of other divisions. But no company can deploy talent effectively if it doesn't treat its best people like a shared asset rather than the property of a particular unit.

Don't create disincentives for teamwork. Some companies' performance assessment methods get in the way of team success. Microsoft is an example. For many years the software giant used a "stack ranking" system as part of its performance evaluation model. At regular intervals, a certain percentage of any team's members would be rated "top performers," "good," "average," "below average," and "poor," regardless of the team's overall performance. In some situations this kind of forced ranking is effective, but in Microsoft's case it had unintended consequences. Over time, according to insiders' reports, the stack ranking created a culture in which employees competed with one another rather than against other companies. "A" players rarely liked to join groups with other "A" players, because they feared they might be seen as the weakest members of the team.

Own the pipeline. When big strategic goals are involved, a company often finds that it needs capabilities it doesn't have. The wise leader anticipates this problem by actively and continually looking for talent. The individuals responsible for executing strategy must have an ownership stake in this recruiting process, because talent is always a key component of strategy. Yet many companies continue to subcontract recruiting wholesale to the HR department and professional search firms.

PLAY YOUR BEST HAND

Choose Mission-critical Projects

We don't recommend putting together an alpha team for small projects. They're not worth the trouble or the opportunity costs. Save such teams for initiatives that have clearly defined objectives and are critical to the company's strategy. Product development efforts often fit this category, and others may as well.

Boeing's 777 airliner provides a good example of what a star team can achieve in product development. Back in 1990, Boeing recognised that it had an important gap in its offerings: It had no airplane positioned between its jumbo 747 jetliner and its midsize 767 model. To address this gap, Boeing assembled a team of its best engineers.

The design effort was different from anything the company had previously done. To be sure, there were other important factors in its success – direct input from customers, new use of technology – but it took these alpha players to master the project's extreme complexity and bring it together. The basic design was completed in less than four months. The plane entered service in less than five years. By assembling its engineering stars and having them work side by side with customers, the company was able to launch what many industry analysts view as the most successful airplane programme in commercial aviation history, with nearly 950 aircraft in service today. Moreover, Boeing got the 777 to market faster than any other major plane before.

Product development projects aren't the only promising opportunities for all-star teams. Sometimes a functional overhaul rises to the level of strategic importance, as it did for Caesars Entertainment, which operates casino properties throughout the world, mainly under the Caesars, Harrah's, and Horseshoe brands. Prior to 2011, Caesars' marketing budget was managed jointly by the company's 42 US properties, with each casino's marketing organisation determining what promotions to offer, when to offer them, which customers to target, and so on. The trouble was that marketing performance varied greatly: The success rate for the best properties was nearly four times that of the average property. Starting in 2011, the company assembled a team of six "pod leaders" to direct marketing spending for its properties in the United States. The team, drawn from the company's most experienced marketers and comprising individuals with a wide range of exceptional skills, completely revamped Caesars' promotions. It eliminated overlapping promotions. It tested new promotions at one property before rolling them out systemwide. It focused investments on promotions that had a demonstrated track record of generating profitable revenue. Transforming the company's whole marketing effort in this manner was a difficult, complicated task that might easily have overwhelmed a less skilled team. Yet the results were dramatic: The number of unprofitable promotions across Caesars declined by more than 20 per cent, and the incremental profit generated by the average promotion increased by more than 10 per cent.

What "A" Players Bring to the Table

Some people argue that talent is overrated. But our estimates, based on evidence from a variety of industries, suggest that star employees outperform others by a country mile:

THE BEST DEVELOPER
at Apple is at least nine times as productive as the average software engineer at other technology companies

THE BEST BLACKJACK DEALER
at Caesars Palace in Las Vegas keeps his table playing at least five times as long as the average dealer on the Strip

THE BEST SALES ASSOCIATE
at Nordstrom sells at least eight times as much as the average sales associate at other department stores

THE BEST TRANSPLANT SURGEON
at a top-notch medical clinic has a success rate at least six times that of the average transplant surgeon

MANAGE THE ODDS

Anticipate What Could Go Wrong

Even if you have excellent talent management practices in place and you've loosed your all-star team on a well-defined, strategically relevant problem, you may still face challenges. Here's what to watch out for, along with some tips for avoiding problems.

Big egos, little progress. Egos can get in the way of team performance. But they don't have to. In 1992, America's first "Dream Team" – made up of the very best basketball players in the NBA – swept the Olympic Games in Barcelona, defeating its opponents by an average of 44 points. This team succeeded because the goal of representing the United States with honour at the Olympics was bigger than any one player. It also helped that team performance was the basis for members' rewards: Nobody was going to get an individual medal. These are two points that organisations creating all-star teams should keep in mind. They should also prune anyone who isn't a team player from the group, regardless of how good that person may be.

Overshadowing the rest of the cast. The use of "A" teams can lead to a system in which only the best feel valued, thereby demoralising average performers. One antidote is to ensure that everyone shares in the "A" team's achievements. George Clooney and the rest of his all-star cast on *Ocean's Eleven* created an environment where cast and crew revelled in their mutual success. Reportedly, most crew members were so pleased with the experience that they sought to sign on for *Ocean's Twelve* and *Ocean's Thirteen*. Other ways to keep "B" players engaged include recognising performance, whether it's mission-critical or not; using a common performance evaluation system for stars and nonstars; and establishing common rewards shared by all involved.

Great team members, mediocre leaders. All-star teams headed by poor leaders can produce mediocre results. Imagine a chamber orchestra made up of virtuosos – think Itzhak Perlman, Gil Shaham, Yuri Bashmet, Yo-Yo Ma, and their peers – but conducted by an amateur. The 12-instrument arrangement of Stravinsky's Concertino might never recover. To avoid this scenario, an organisation should invest as much time in picking team leaders as in picking members, ask members for feedback on the leader early (and often), and not be afraid to switch generals or even to promote a team member to leader.

ASK ANY GROUP of senior executives about which resources they don't have enough of, and they are likely to acknowledge that star talent is one of the scarcest. Then ask them how confident they are that their companies deploy and manage their best players to have the greatest impact on the bottom line, and they will probably express reservations. Is it possible that executives are overlooking one powerful tool that could help them achieve that goal? ◆

Michael Mankins *leads Bain & Company's Organization practice in the Americas and is a partner in San Francisco. He is a coauthor of* Decide and Deliver: Five Steps to Breakthrough Performance in Your Organization *(Harvard Business Review Press, 2010).* **Alan Bird** *is a leader in Bain's Organization practice and a partner in London and Johannesburg.* **James Root** *leads Bain's Organization practice in Asia-Pacific and is a partner in Hong Kong.*
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Battling Bangalore's Bugs

A gathering of CEOs discusses ways to restore the IT hub's slipping halo.

By K.R. BALASUBRAMANYAM

PHOTOGRAPHS BY NILOTPAL BARUAH

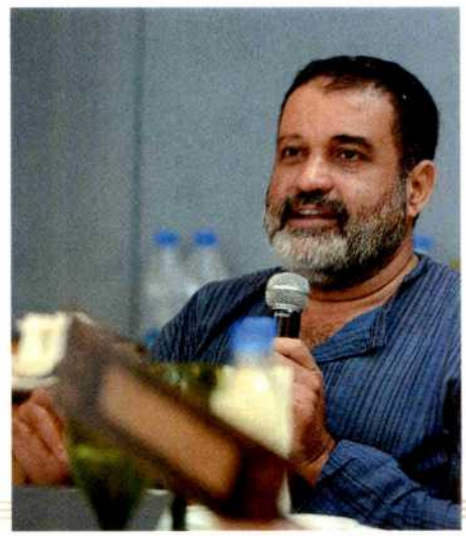
High powered panel: Standing (From left) Ajay Nanavati, MD, 3M India; Venkatesh Valluri, Chairman & President, Ingersoll Rand, India; T.V. Mohandas Pai, Chairman, Manipal Global Education Services; Harish Bijoor, brand consultant; Rajiv Kapur, MD, Broadcom India; Arun Mote, Executive Director, Triveni Turbine; Amar Sinha, Executive Director, Wave Infratech; and P. Ramakrishnan, Deputy MD, Sobha Developers **Sitting (From left)** Rohini Nilekani, Chairperson, Arghyam Foundation; Chaitanya Kalbag, Editor, *Business Today*; Kiran Mazumdar-Shaw, Chairman & MD, Biocon; Nooraine Fazal, Managing Trustee & CEO, Inventure Academy; and Anil Valluri, President (India & SAARC Operations), NetApp

Globally renowned as an outsourcing hub, Bangalore has its share of problems too. Rapid urbanisation in the last decade has altered its landscape and stretched its infrastructure to the limit. To brainstorm solutions to the city's problems, *Business Today* brought together a dozen CEOs at the city's plush ITC Gardenia for a lunch-cum-discussion on August 2. The setting was grand – with a spread including salads, soups, Indian and western delicacies – at the resplendent Magnolia Hall. The subject, *Bangalore's Halo Slips: How can its Entrepreneurs and the Government Revive its Dynamism*, ensured an animated debate.

Among those attending was Ajay Nanavati, Managing Director of 3M India, who felt corporate houses should contribute their domain expertise to help tackle the city's issues in a meaningful way. Nanavati felt companies should focus on a few initiatives and measurable outcomes for better results rather than pursue a multitude of programmes.

"We need to get together, let us put our technology together, and address the issues together," said Venkatesh Valluri, Chairman and President, Ingersoll Rand, India. There was large scale migration to Bangalore which should be stopped right away, stressed Valluri. "Let us build two cities outside Bangalore with the right kind of design and sustainability," he added. P. Ramakrishnan, Deputy Managing Director at Sobha Developers, endorsed his views, and suggested that the government declare the 15 km radius around the central business district of Bangalore as a no-construction zone for 10 to 15 years, while developing townships away from the city. He predicted that Bangalore's IT sector alone would see an addition of some 900,000 people to its workforce over the next decade.

Bangalore's problems were a result of its prosperity, reckoned T.V. Mohandas Pai, Chairman of Manipal Global Education Services, and reeled off statistics: Bangalore's per capita annual income of $9,200 was the highest among Indian cities; it also has the second-highest vehicular population and the third-highest quantum of bank deposits in the country. In personal income tax payment, Bangalore ranked third in the world. The city had the largest number of chip designers in the world, its IT industry employed 900,000 people and exported software worth ₹1.6 lakh crore in 2012. "Bangalore accounts for 65 per cent of Karnataka's tax revenue, but it got only about ₹6,000 crore in the state's budget of ₹1.21 lakh crore this year," Pai said. The solution was to have a new law for Bangalore's governance. The government must plough back half the stamp duty and road taxes collected from Bangalore into sprucing up the city's infrastructure, he added.



Pai's remark that Bangalore has 15 billionaires who were not investing in the city, however, was contested by many others present. "The city's wealthy are learning to give back," said Rohini Nilekani, Chairperson of Arghyam Foundation.

"If a city has to grow, you need to keep the pace of its businesses as well as its infrastructure growing," said Amar Sinha,

"Bangalore accounts for 65 per cent of Karnataka's tax revenue, but it got only about ₹6,000 crore in the state's budget of ₹1.21 lakh crore this year"

T.V. Mohandas Pai, Chairman, Manipal Global Education Services

"Bangalore is considered the educational hub of India, but there is very little happening in the city's institutions of higher learning"

Nooraine Fazal, Managing Trustee and CEO, Inventure Academy

Executive Director at Wave Infratech, the Noida-based real estate firm. Sinha cited the example of Gurgaon, whose infrastructure had failed to keep pace with its rapid expansion. "The real estate prices in Gurgaon are now falling, and states like Uttar Pradesh are gaining. If you don't catch up, you will face a Gurgaon-like situation," he added.

Rajiv Kapur, Managing Director of Broadcom India, argued in favour of making tenders for civic works in Bangalore metric-driven, rather than process-driven. "We must all help the government write better tender documents so that the money spent on infrastructure is effective."

Shekar Viswanathan, Vice Chairman at Toyota Kirloskar Motor, highlighted the need for improving working conditions for women at Bangalore's industrial suburbs of Bidadi, Bommasandra and Peenya. Corporate houses could start by providing a creche for the children of working women, he said.

Biocon's Chairman and Managing Director Kiran Mazumdar-Shaw spoke about the need to make Bangalore water sufficient. Nilekani added: "We have destroyed two rivers in Bangalore, and 60 per cent of Bangaloreans have not complied with rain water harvesting requirements."

Bangalore, of course, has seen many other campaigns, apart from those related to civic issues. Mazumdar-Shaw mentioned the Bangalore Political Action Committee or B-PAC initiative, which not only backed a select bunch of candidates in the recent elections to the Karnataka Assembly, but also funded them. Some of these MLAs were in touch with B-PAC, explaining the work they were doing and taking suggestions, said Mazumdar-Shaw. "We have to learn to deepen our engagement with the government, and work. That is the only way," she added.

Participating in the discussion, brand consultant Harish Bijoor argued that most Bangaloreans seemed to think they were relevant only once in five years – on the day of voting in elections. After that, they tended to 'outsource' everything important to their elected representatives.

Inventure Academy Managing Trustee and CEO Nooraine Fazal said physical infrastructure alone was not enough to revive Bangalore's dynamism. Educational infrastructure was also equally important. "Bangalore is considered the educational hub of India, but there is very little happening in the city's institutions of higher learning in terms of creating jobs and wealth," Fazal said.

Business Today Editor Chaitanya Kalbag and Managing Editor Josey Puliyenthuruthel moderated the discussion. The participants included Triveni Turbine Executive Director Arun Mote and NetApp President (India & SAARC Operations) Anil Valluri. The lunch event was sponsored by Wave Group, which has businesses ranging from real estate to film distribution. ◆

Send comments to editor.bt@intoday.com

Making a point: Kiran Mazumdar-Shaw, Chairman and Managing Director, Biocon

Plainspeaking: Shekar Viswanathan, Vice Chairman, Toyota Kirloskar Motor

Accelerating Growth

PART I (Rs. in crore)

Statement of Unaudited Financial Results for the Quarter Ended 30/06/2013

	Particulars	Three months ended			Year to date
		30-Jun-13	31-Mar-13	30-Jun-12	31-Mar-13
		Un-audited	Audited	Un-audited	Audited
1.	**Income from operations**				
	a. Net Sales/Income from Operations (net of excise duty)	2,869.10	3,202.10	2,837.90	10,698.67
	b. Other operating income	1.52	2.15	2.45	5.60
	Total income from operations (net)	**2,870.62**	**3,204.25**	**2,840.35**	**10,704.27**
2.	**Expenses**				
	a. Consumption of raw materials	3.92	7.62	8.62	30.94
	b. Consumption of Stores & spares	61.77	100.49	53.69	257.99
	c. Changes in inventories of finished goods and work-in-progress	24.29	-73.07	-13.12	-184.33
	d. Employee Benefit expense	148.32	161.46	135.26	579.92
	e. Royalty & Cess	223.58	303.51	223.13	952.43
	f. Selling Exps incl. Freight out	291.07	392.86	36.10	818.00
	g. Depreciation and Amortisation	36.35	38.68	32.79	138.52
	h. Other Expenses	212.49	561.58	94.64	871.35
	Total expenses	1,001.79	1,493.13	571.11	3,464.82
3.	Profit from operations before Other income, finance cost & exceptional items (1-2) :	1,868.83	1,711.12	2,269.24	7,239.45
4.	Other income	520.91	547.39	552.14	2,238.87
5.	Profit from ordinary activities before finance cost & exceptional items (3+4) :	2,389.74	2,258.51	2,821.38	9,478.32
6.	Finance cost	-	13.20	-	13.20
7.	Profit from ordinary activities after finance cost but before exceptional items (5-6) :	2,389.74	2,245.31	2,821.38	9,465.12
8.	Exceptional Items	-	-	-	-
9.	**Profit from ordinary activities before Tax(7-8)**	**2,389.74**	**2,245.31**	**2,821.38**	**9,465.12**
10.	Tax expense	817.55	780.36	915.38	3,122.75
11.	Net Profit from ordinary activities after tax (9-10)	1,572.19	1,464.95	1,906.00	6,342.37
12.	Extraordinary Items (net of tax expense)	-	-	-	-
13.	**Net Profit for the period (11-12) :**	**1,572.19**	**1,464.95**	**1,906.00**	**6,342.37**
14.	Paid-up Equity Share Capital : Face value per share	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-	396.47 Re 1/-
15.	Reserves excluding revaluation reserves				27,114.49
16.	i & ii EPS for the period (Rs.) - Basic & diluted before and after extraordinary items	3.97	3.69	4.81	16.00
			(Not Annualised)		(Annualised)

PART II SELECT INFORMATION FOR THE PERIOD ENDED 30/06/2013

	Particulars	Three months ended			Year to date
		30-Jun-13	31-Mar-13	30-Jun-12	31-Mar-13
A.	**PARTICULARS OF SHAREHOLDING**				
1.	Public share holding				
	- Number of Shares	792,769,420	792,769,420	396,297,820	792,769,420
	- Percentage of shareholding	20	20	10	20
2.	Promoters & Promoter group shareholding				
	a) Pledged/Encumbered				
	- Number of Shares	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter & promoter group)	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-
	b) Non Encumbered				
	- Number of Shares	3,171,946,580	3,171,946,580	3,568,418,180	3,171,946,580
	- Percentage of shares (as a % of the total shareholding of promoter & promoter group)	100	100	100	100
	- Percentage of shares (as a % of the total share capital of the company)	80	80	90	80

	Particulars	Three months ended 30-Jun-2013
B.	**INVESTOR COMPLAINTS**	
	Pending at the beginning of the quarter	-
	Received during the quarter	13
	Disposed off during the quarter	13
	Remaining unresolved at the end of the quarter	-

(Rs. in crore)

Segment wise Revenue, Results and Capital Employed under clause 41 of the Listing Agreement

	Particulars	Three months ended			Year to date
		30-Jun-13	31-Mar-13	30-Jun-12	31-Mar-13
		Un-audited	Audited	Un-audited	Audited
1.	**Segment Revenue** (net sale/income from each segment)				
	a) Iron Ore	2,834.28	3,166.84	2,812.25	10,609.50
	b) Other Minerals & Services	37.23	46.87	42.75	145.56
	Total	2,871.51	3,213.71	2,855.00	10,755.06
	Less : Inter segment revenue	0.89	9.46	14.65	50.79
	Net sales / Income from operations	**2,870.62**	**3,204.25**	**2,840.35**	**10,704.27**
2.	**Segment Results** (profit (+) / loss (-) before tax and interest from each segment)				
	a) Iron Ore	1,943.60	1,776.43	2,295.50	7,385.10
	b) Other Minerals & Services	-7.65	-13.48	10.81	28.76
	Total	1,935.95	1,762.95	2,306.31	7,413.86
	i) less : Interest	-	-13.20	-	-13.20
	ii) Add : Other unallocable income net off unallocable expenditure	453.79	495.56	515.07	2,064.46
	Total Profit before Tax	**2,389.74**	**2,245.31**	**2,821.38**	**9,465.12**
3.	**Capital Employed** (Segment assets-Segment Liabilities)				
	a) Iron Ore	3,166.26	3,048.72	2,429.82	3,048.72
	b) Other Minerals & Services	88.30	106.38	80.53	106.38
	c) Other reconciliation items	25,932.39	24,454.11	23,892.89	24,454.11
	Total	**29,186.95**	**27,609.21**	**26,403.24**	**27,609.21**

NOTES

1. The financial results have been reviewed and recommended by the Audit Committee at its meeting held on 07-Aug-2013 and approved by the Board of Directors at its meeting held on 07-Aug-2013.
2. During the current quarter, the company exported a quantity of 4.92 lakh tons (Previous corresponding period Nil) due to which the selling expenditure on exports has gone up by Rs. 255 crore (Previous corresponding period NIL). Further on account of Hon'ble Supreme Court judgement dated 18th Apr 2013 on illegal mining cases at Karnataka, 10% of sale proceeds of Donimalai sector amounting to Rs. 66 crore (Previous corresponding period NIL) has been accounted in 'other expenses' in the current quarter, towards contribution of Special purpose vehicle to be formed in Karnataka.
3. Action has been initiated to sell the plant and machinery of Silica Sand Project, Lalapur. The net loss from the discontinued operations of the Lalapur unit for the current quarter Rs. 0.06 cr (Previous period loss Rs. NIL) is included in the above results.
4. Figures for the previous period have been regrouped wherever considered necessary so as to conform to the classification of the current year.
5. The financial results have been reviewed by the Statutory Auditors as required under clause 41 of the listing agreement.

For and on behalf of NMDC Limited
Sd/-
(C.S. VERMA)
Chairman - cum - Managing Director

Place : New Delhi
Date : 07-Aug-2013

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Smelling the Coffee

Three start-ups now cater to the connoisseur seeking freshly roasted and ground coffee. By KAAVYA CHANDRASEKARAN

ADITYA KAPOOR/www.indiatodayimages.com

"We want to provide the customer the best experience possible"
Matt Chitharanjan, Co-founder, Blue Tokai Coffee Roasters

Coffee lovers: Chitharanjan and Namrata Asthana

Matt Chitharanjan and Namrata Asthana love a good cup of coffee.

So much that the couple have started a coffee business in Gurgaon. The pitch is simple: buy single estate green coffee beans, roast them, grind them, and sell fresh coffee powder online. The magic to a good cup of coffee is in the roast (when the oils and fragrance are released) and the way they are ground (to a grain size best suited to how you make your coffee – on a drip filter, a percolator, a French press, a moka pot, or the nouveau AeroPress).

Blue Tokai Coffee Roasters, Chitharanjan and Asthana's start-up, knows the science, and dispatches the coffee it grinds within 24 hours of roasting. "The flavour of coffee deteriorates, the chemistry changes within two weeks of roasting," says Asthana. Blue Tokai packages carry the roasting date. The coffee roaster even offers a subscription for biweekly deliveries of 250 gm packs to regulars who value freshness of their morning caffeine kick. Also on offer at *www.bluetokaicoffee.com* is coffee equipment like the AeroPress or a cold brew pot.

Asthana takes pride in the fact that Blue Tokai – Tokai meant the tail of a peacock in ancient Malabar, north Kerala, where the British are said to have seen the bird for the first time – spreads knowledge about coffee plantations in Karnataka and the Nilgiris district. "Nobody talks about the farm. But all the credit should go to them," says the former communications consultant, adding most high quality beans from those farms get exported.

Blue Tokai opened for business about seven months ago and today processes orders of some 300 kg a month. The total investment has been under ₹40 lakh sourced from the promoter-duo's savings and their families. Most of that money has gone into a coffee roaster called Probat that costed ₹22 lakh.

But the journey hasn't been all that smooth. Logistics is the biggest challenge. "We have to keep working with other companies – from making the cardboard boxes to pouches. This hasn't been easy because we want to provide the customer the best experience possible," says Chitharanjan. They finally settled on Fedex – because "for a small business it's difficult to get a good rate". Fedex, which provided the best rate for them, charges ₹80 on each order for delivery. They also ship to the US. Blue Tokai's future strategy involves organising coffee events, acquiring more restaurant clients and opening a café a year or two from now.

BEAN FACTS

Cost of starting a coffee roaster service is ₹24-40 lakh

Logistics is the biggest problem faced by coffee roaster companies

Profit margins may be thin, but the players remain optimistic

Chitharanjan and Asthana are not pioneers in the online coffee business. Kunal Ross, who started The Indian Bean in October 2012 from Versova in suburban Mumbai, says he got the idea of starting an online roaster since fresh ground coffee is on a decline. "The independent roaster culture is dying, where coffee is roasted on the same day. If coffee is bought from independent farmers and is going abroad, why doesn't the Indian consumer benefit?" he asks. He says he felt a void in the coffee space and that there was no innovation in the fresh coffee market. "Every two or three months we get a new coffee and a farm on board." Ross packages humour while selling: coffee from a Kodaikanal estate is named Frowners because a leading farmer on the estate is always grumpy. Other names on *www.theindianbean.com* – appa, 5000 ft and Watapi – sell for between ₹270 and ₹450 for a 250 gm pack.

The Indian Bean's process of roasting, grinding and packing takes place in Mysore. Operating costs are lower in a smaller city and Mysore has a good network for farmers. The chemical analysis test also gets done at the Central Food Technological Research Institute in Mysore. Ross emphasises the need for good packing so that there is no further interaction with the air. "You need to keep it away from oxygen, like anything else it reacts and most of the aroma will go," he says, adding logistics was a big challenge for him as well.

The Indian Bean's investment has been around ₹24 lakh since it started. It aims to make more than ₹1 lakh in monthly revenue by September this year.

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

"We provide complete solutions for the amateur coffee drinker"
Sahil Jatana, Founder, The Coffee Coach

Barely eight km away in Oshiwara in central Mumbai, Sahil Jatana launched The Coffee Coach in July 2011 after conducting a series of coffee brewing workshops for amateurs. He says that the three players do not see each other as competitors. "We exist in harmony, a perfect co-existence." Each has its own forte. The Coffee Coach takes pride in that it provides coffee and equipment at an affordable price. Coffee retails from ₹299 a 250 gm pack that comes with an air seal and French presses start at ₹399. "We provide complete solutions for the amateur coffee drinker," Jatana says. The site – *www.thecoffee-coach.in* – receives an average 800 to 1,000 visitors per month of which 20 per cent gets converted into sales.

But will the online business model work in coffee? Some aren't very sanguine. Keshav Devan of Devan's Coffee, a specialist retailer in south Delhi that is the go-to destination for coffee aficionados in the city, thinks it is a very niche market. He speaks of the challenges: "Online has a problem of delivery, to be precise the delivery front is a big expense. And it is a big pinch for the consumer's pocket."

Still, the three players remain gung-ho. And, they have support from Café Coffee Day, the big daddy of coffee cafes in India. Says its President of Marketing, K. Ramakrishnan: "In India, our per capita coffee consumption is 82 gm while it is four kg in the US and six kg in Europe. So, a large portion of demand extends to the online space." The chain, too, sells coffee powder on the Internet and counts its Dark Forest brand the top-selling coffee online.

This optimism resonates with Jawaid Akhtar, Chairman of the Coffee Board of India. But it will ultimately depend on how the online roasters build their credibility. "It has to meet the requirement for the consumer – timely delivery, ease of payment and most importantly, maintain quality and freshness," he says.

It's early days but the online coffee merchants are getting custom even from upcountry India. Anand Kothari is Blue Tokai's regular customer from Saharsa, Bihar, where he works for Bihar Rural Livelihoods Promotion Society, an independent society set up by the state government and supported by the World Bank. "Fresh coffee is just better than other kinds of coffee. The marketplace here is small and access to good and high quality coffee is otherwise difficult," he says. He compares the online roaster to coffee retailer Lavazza which he says is more expensive, and prefers to brew his cuppa in a French press he recently bought at Starbucks on a trip to Mumbai. That's a toast to the online coffee roasters. ◆

ADDITIONAL REPORTING BY K.R. BALASUBRAMANYAM

RACHIT GOSWAMI

"The independent roaster culture is dying"
Kunal Ross, Founder, The Indian Bean

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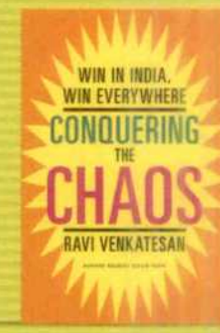

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Alex Rawson, Ewan Duncan, and Conor Jones

17 Idea Watch
Wearables in the Workplace
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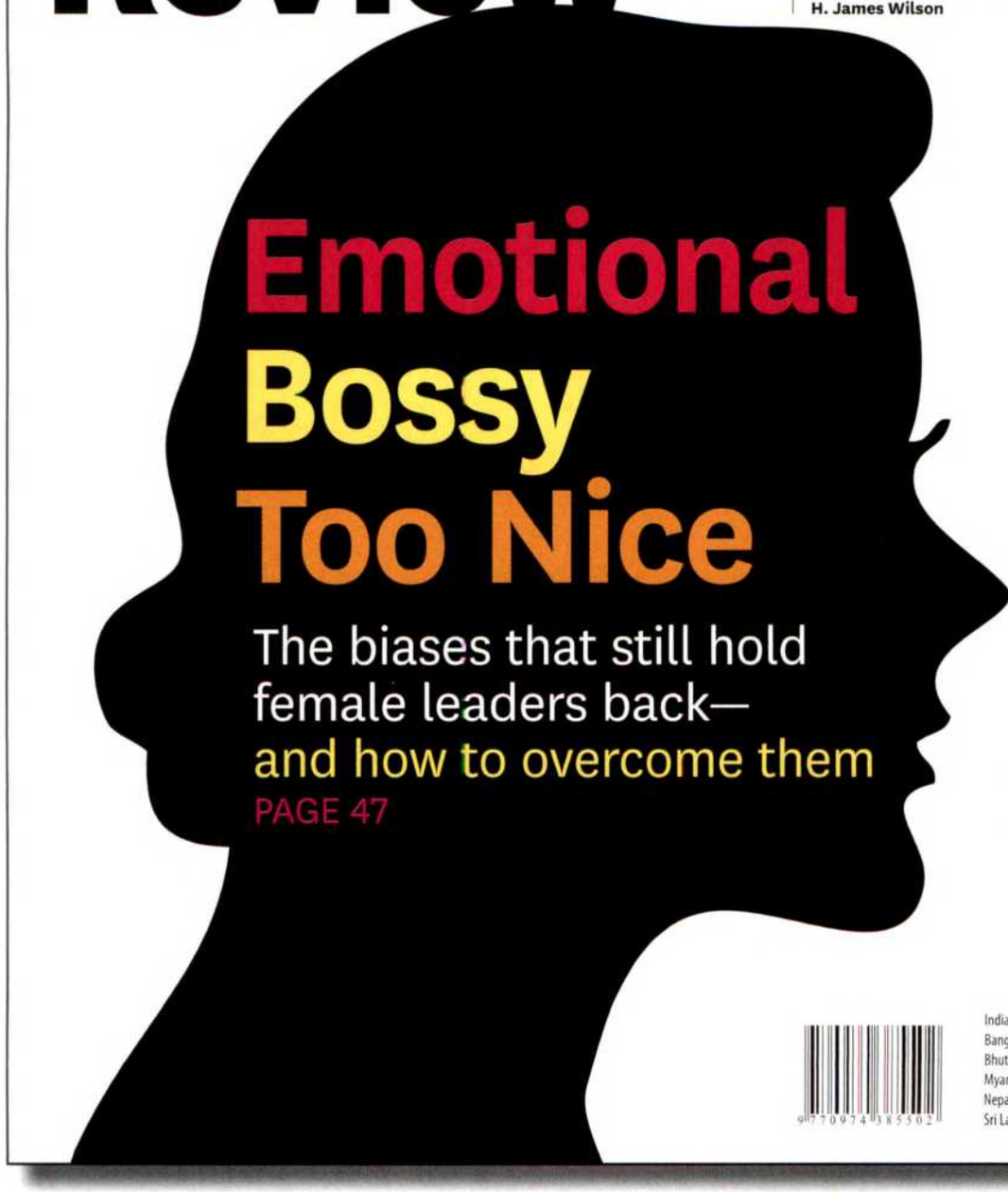

Emotional Bossy Too Nice

The biases that still hold female leaders back—and how to overcome them
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NANDAGOPAL RAJAN

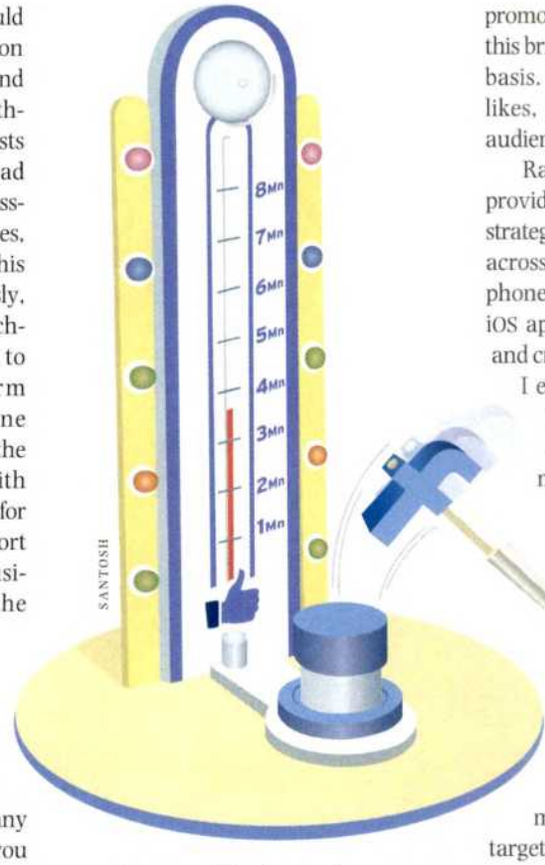
Sold on Facebook

Small businesses can use the social networking site to enormous advantage

If Facebook was a country it would have the third-largest population in the world at 1.15 billion, behind only China and India. A nation without borders, Facebook, which boasts 82 million users in India, is spread globally and growing with every passing day. Besides the Facebook junkies, there are now brands that take this social networking site very seriously, engaging with customers and reaching out to new ones. According to leading Czech analytics firm Socialbakers, in India, Vodafone Zoozoos and Tata DOCOMO have the most popular Facebook pages with over 12 million fans each. It is easy for larger names to garner this support and fan base, but have small businesses also started exploiting the potential of Facebook?

"Every business wants to kick-start word of mouth and Facebook is word of mouth in scale. Someone you know and trust recommending a product has much more worth and effect than any advertisement and Facebook lets you leverage those connections," says Sachin Rao, Country SMB Manager, Facebook India, explaining the merits of having a Facebook page.

A page gives regular analytics of who is visiting and when. Plus, you can target a post to a particular set of people, a person who likes your products and his/her friends' circle, whose members in all likelihood will have similar tastes. In fact, for small businesses on shoestring budgets, Facebook promoted posts or advertisements don't cost much. "They could spend as little as $5 a day. And even that is performance-based with no upfront payments needed," adds Rao.



Many small Indian businesses are already thriving on the social boost they derive from Facebook. Take the case of Bangalore-based Nikita Dawar and Nivedha Charles. The two classmates dropped out of their fashion designing course at the National Institute of Fashion Technology and, as a hobby, started Pigtails and Ponys to sell hair accessories such as hair bands and clips in 2011. Since funds were limited, they started a Facebook page to keep friends posted about their new creations. Two years on they have an e-tailing site, but about 70 per cent of the business there is still routed from their Facebook page. Dawar says they spend an average of ₹5,500 a month promoting new posts on Facebook and this brings in new customers on a daily basis. They now have over 32,000 likes, which translates as a captive audience from a business viewpoint.

Rao says a Facebook page can also provide an instant mobile marketing strategy with a visually rich experience across screens, even those of feature phones. Then you have Android and iOS apps that let you manage pages and create posts even on the move. As I explained in an earlier column (*businesstoday.in/biz-websitetips*), setting up conventional and mobile pages has become cheap and easy, but it can never be as easy as a Facebook page.

Small businesses could also have a Facebook-only strategy, at least till they achieve a certain amount of scale. Since it helps them target audiences in a certain demographic or with a certain interest, this money is not wasted on random targeting, says Rao. You can even add a third-party payment gateway app to the Facebook page to build a full e-commerce solution, or just drive users to your own website with its own shopping cart.

It would, however, be wrong to think that spending a few dollars on Facebook alone will boost your business. A page would also come with the added responsibility of being there to engage with your customers. The virality of social networks can be damaging if your product is not up to customer expectations. Complaints will show up on your wall and you will need to deal with them publicly. Do it well and that will be a big 'like' button on your business. ◆

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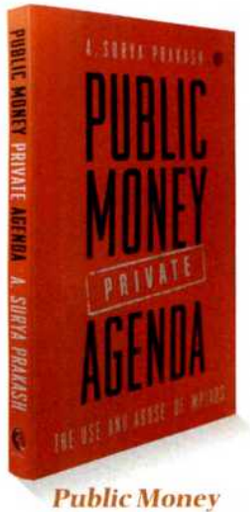
Feudal Patronage in New Garb

A detailed analysis of MPLADS, the scheme which disburses funds to MPs for public use



Public Money Private Agenda The Use and Abuse of MPLADS

By A. Surya Prakash

Rupa

Pages: 287; Price: ₹395

On November 4, 1948, B.R. Ambedkar introduced the draft constitution in the constituent assembly with an insightful speech. Among other things, he discussed the idea of 'constitutional morality' and explained how he and his core drafting team had tried to uphold it in their draft. "It is perfectly possible to pervert the constitution, without changing its form, by merely changing the form of administration, and to make it inconsistent and opposed to the spirit of the constitution," he said. It was to prevent this that the draft constitution had often gone into administrative detail, he maintained. Ambedkar pessimistically added: "In these circumstances, it is wiser not to trust the legislature to prescribe forms of administration."

Ambedkar's farsightedness comes to mind while reading A. Surya Prakash's study of the Member of Parliament Local Area Development Scheme (MPLADS), a controversial programme that pushes the envelope on the constitutional legitimacy of a specific kind of public spending. A former journalist, Surya Prakash, has, in painstaking detail, traced the origin and functioning of MPLADS.

Under the scheme, each parliamentarian gets ₹5 crore annually for his or her constituency to create durable community assets based on local requirements. (When the scheme began in 1993, the amount was ₹1 crore.) In the 2012/13 budget estimates, the Union government allocated ₹3,955 crore for MPLADS, a little over 10 per cent of the amount set aside for the rural employment guarantee scheme. Even if the money allocated is relatively moderate, it remains a controversial scheme.

Surya Prakash explains how MPLADS severely tests a foundational principle of the constitution: separation of powers between the executive and the legislature. In addition, it exploits a deep faultline in the system – the fact that India's administration remains ineffective in large parts of the country, making such interventions by parliamentarians relevant.

A constitution bench of the Supreme Court upheld the validity of MPLADS, but as the book shows, a sense of disquiet remains. The idea behind separating the powers of the executive and the legislature was to put in place a system of checks and balances and, thereby, prevent conflicts of interest. MPLADS wades right into that area in controversial fashion by giving the parliamentarians the power to decide where to spend the MPLADS money even if the district administration implements the scheme.

Unsurprisingly, the scheme has attracted two custodians of probity, one self-appointed and the other mandated by the constitution. The electronic media has carried out sting operations on the functioning of MPLADS in select areas and the results were unflattering for parliamentarians. The Comptroller and Auditor General, through three reports, has shown the scheme's implementation leaves a lot to be desired.

Though the underlying message of book is negative, Surya Prakash doesn't condemn the scheme entirely. "MPLADS deserves only a qualified thumbs-up," he says, asking for its guidelines to be tightened. It is difficult to disagree with him. Step away from the constitutional aspects and look around you. MPLADS exists because of the crisis in India's provision of public services. The crisis allows politicians to dispense patronage in a feudal manner and portray MPLADS as a way to deal with the crisis. MPLADS is a symptom of failure, and the book shows Ambedkar understood his society very well indeed. ◆

SANJIV SHANKARAN

MPLADS exists because of the crisis in the provision of public services. The crisis allows politicians to dispense patronage in a feudal manner and portray MPLADS as a way to deal with the crisis

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Description: The candidate is responsible for development & maintenance activities (defect fixing/error correction), Incident handling, Production support of application issues.

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Job ID: 13803788
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RR Donnelley India Outsource Pvt. Ltd.
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Location: Chennai
Job ID: 13746487
Description: They are responsible to transform .psd files (other design file formats) and wireframes into HTML/CSS.

NTT DATA India Enterprise Application Services Private Limited
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Location: Pune
Job ID: 13814679
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2COMS Consulting Private Limited
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Teradata
Regional Sales Manager
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Replicon
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Job ID: 12509963
Description: Follow up on sales/product inquires over chat and phone with the ultimate goal to further the prospect through the sales cycle.

Caliber Point Business Solutions Limi
Manager - Marketing
Location: Navi Mumbai
Job ID: 13649295
Description: Conceptualize and exec global marketing programs and campa targeted to business needs of exist accounts.

Manokam
Sales & Marketing Manager
Location: Ahmedabad
Job ID: 13166859
Description: Looking for sales professional having minimum 10 years of exposure in compounding, plastic industry for our German based MNC Client.

Satline Manpower Consultancy Priv Limited
Sales Manager
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Description: Minimum 1 yr of experience in core Finance & Accounts.

UnitedHealth Group
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Location: Hyderabad
Job ID: 13712951
Description: Positions in this function prepare and maintain records of amounts owed and ensures prompt payment of invoices.

NetApp
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Job ID: 13665664
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Job ID: 13813196
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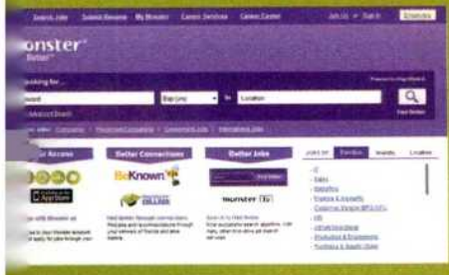

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Makeover Master

Before joining Oriflame's India office last year, **NIKLAS FRISK**, its Vice President, Head of South Asia, and Managing Director India, personally examined the company's range of lipsticks and skincare products at its R&D centre in Dublin, Ireland. "If you have attractive products they will sell," says Frisk. He has drawn up plans to grow the India business, which already figures in the top 10 of the 60 markets where the Swedish cosmetics major operates. Oriflame recently tied up with leading fashion designer Ritu Kumar to launch accessories such as stoles, handbags and wallets. Though the Delhi traffic upsets him, Frisk is otherwise quite happy with India and the development he sees taking place. "My business takes me to a lot of cities," he says. "Wherever I go I see a new airport."

AJAY MODI

Niklas Frisk
VP & Head of South Asia/
MD India, Oriflame

Rohit Bhatia
CEO, Dhingana

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Sweet Sound of Money

ROHIT BHATIA loves to take his Honda CBR bike on power drives, but now the CEO of Dhingana is steering his company into uncharted waters by launching a monthly subscription-based model, the first in India for a streaming music service app. The so-called "Spotify-model" has been very successful globally, but Indians as a rule don't really like paying for apps. "Our model is unique. Once you upgrade the iOS app to the paid version you can download any song and play it offline. But you will not have access to the songs if you don't renew your subscription at the end of the month," says Bhatia. The total download figure for the app is six million. Pune-based Bhatia is now working on an Android version with operator billing.

NANDAGOPAL RAJAN

Rising to the Challenge

SANTOSH B. NAYAR, the new CEO and Managing Director at IFCI Ltd, has taken over at a time when the credit profile of the Delhi-based, government-owned non-banking finance company has deteriorated due to pressure on interest margins, rise in bad loans and dent in profits. But he is confident of a turnaround. "I know the corporates very well. So many of them who had not visited IFCI in the past decade, have visited in the past 15 days," he says. A music aficionado, he listens regularly to both Indian and Western classical.

ARUNIMA MISHRA

Santosh Nayar
CEO/MD, IFCI Ltd

VIVAN MEHRA/www.indiatodayimages.com

Snehdeep Aggarwal
Founder/Chairman, Bhartiya Group

Love of Leather

Driven by a love of enterprise, **SNEHDEEP AGGARWAL** ignored his parents' advice to take up a job and started his own company instead. With ₹5,000 borrowed from his parents he began exporting carpets to Germany. In 1987 he diversified into leather exports. Today, his Bhartiya Group, is worth ₹1,000 crore and is India's largest leather exporter, supplying products to over 60 global brands including Zara, Mango, Hugo Boss, Guess and Levi's. Having set up a design studio in Milan, Italy, and factories in China and Chennai, Aggarwal now has plans to launch his own leather accessories brand. He has also ventured into real estate through a 125-acre integrated township outside Bangalore. He set up the country's first leather special economic zone near Chennai as well, where leather products and accessories are made and exported globally. Aggarwal love to travel. "I love walking through the streets of Europe. I derive a lot of my inspiration from watching how ordinary people live and work," he says.

VIVAN MEHRA

Michael Ault
Founder, Ault Group

Nightclub Nabob

He is referred to by the media as the International King of Nighclubs, thanks to the 30-plus exclusive party places for the rich and the famous that he runs globally. The list includes the most profitable nightclub in the world, Pangaea, where a table costs anywhere between $2,000 and $15,000 a night. Now **MICHAEL AULT**, 50, has launched the Indian edition of Pangaea in partnership with Spice Group's B.K. Modi at New Delhi's Ashok Hotel. In an interview to luxury magazine *Robb Report India*, he revealed interests that went beyond partying till dawn: he has a collection of the world's rarest firearms, the only ties he has ever worn have been made by Hermes, and so on. "In my opinion, buying expensive toys or homes that are intended to boost one's ego is an ultimate waste of money," he says. "Psychiatrists are far cheaper and more practical."

JAMAL SHAIKH

Moorthy K. Uppaluri
CEO, Randstad India/Sri Lanka

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Man of the People

A mechanical engineer with two patents to his name in the complex field of superconductivity, **MOORTHY K. UPPALURI** has now been appointed the CEO of Randstad India. Randstad is the world's second-largest HR services provider. "Solutions to scientific problems have become quite deterministic but each people-related problem requires a different solution," says Uppaluri, explaining why he chose to leave science and embrace HR. "I have not totally given up on science. I use it very effectively to solve people issues," he says. Uppaluri previously worked with global giants such as GE and Microsoft.

N. MADHAVAN

VIVAN MEHRA/www.indiatodayimages.com

RAKESH VERMA
Managing Director, MapmyIndia

My first guru
Dick Cornelison, entrepreneur and founder of Condar. I learnt from him that one shouldn't work in a company to become popular, particularly if one is in a finance role

My first boss
Pran Nath Ugra at Bank of India, a truly wonderful Kashmiri gentleman. His motto was "Never come late". He was always at his work station before the rest of us reached

My first job
At Bank of India. sitting at the cash and ledger counters I learnt the true meaning of 'customer service'

My first promotion
Becoming part of General Motors' Saturn Car Project in 1984. It gave me an opportunity to work in a well-funded $1.7 billion start-up

My first disappointment
Not being able to study commerce, but having to do engineering instead as per my dad's wish. Still, I haven't done too badly with what I learnt

As told to Vivan Mehra

'COMMERCIAL PROPERTY OF THE YEAR, NORTH BANGALORE'

Bangalore Real Estate Awards'13 Silicon India in association with Axis Bank

The head-turning, eye-catching Brigade Rubix is now also the 'Commercial Property Of The Year, North Bangalore'. Recently awarded at the Bangalore Real Estate Awards'13, Brigade Rubix is a fine example of great inspiration, insight and a great sight. Designed as a mixed-use complex, its unique façade, in which every block turns at an angle every three floors - is inspired by the famous Rubik's Cube. An ideal option for small businesses and retailers looking for professional self-contained environment with all the facilities necessary for smooth business operations.

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- *Indoor heated swimming pool*
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- *Basketball courts*
- *Two indoor badminton courts*
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- *Two cricket pitches*
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- *Rain shower with body jets*
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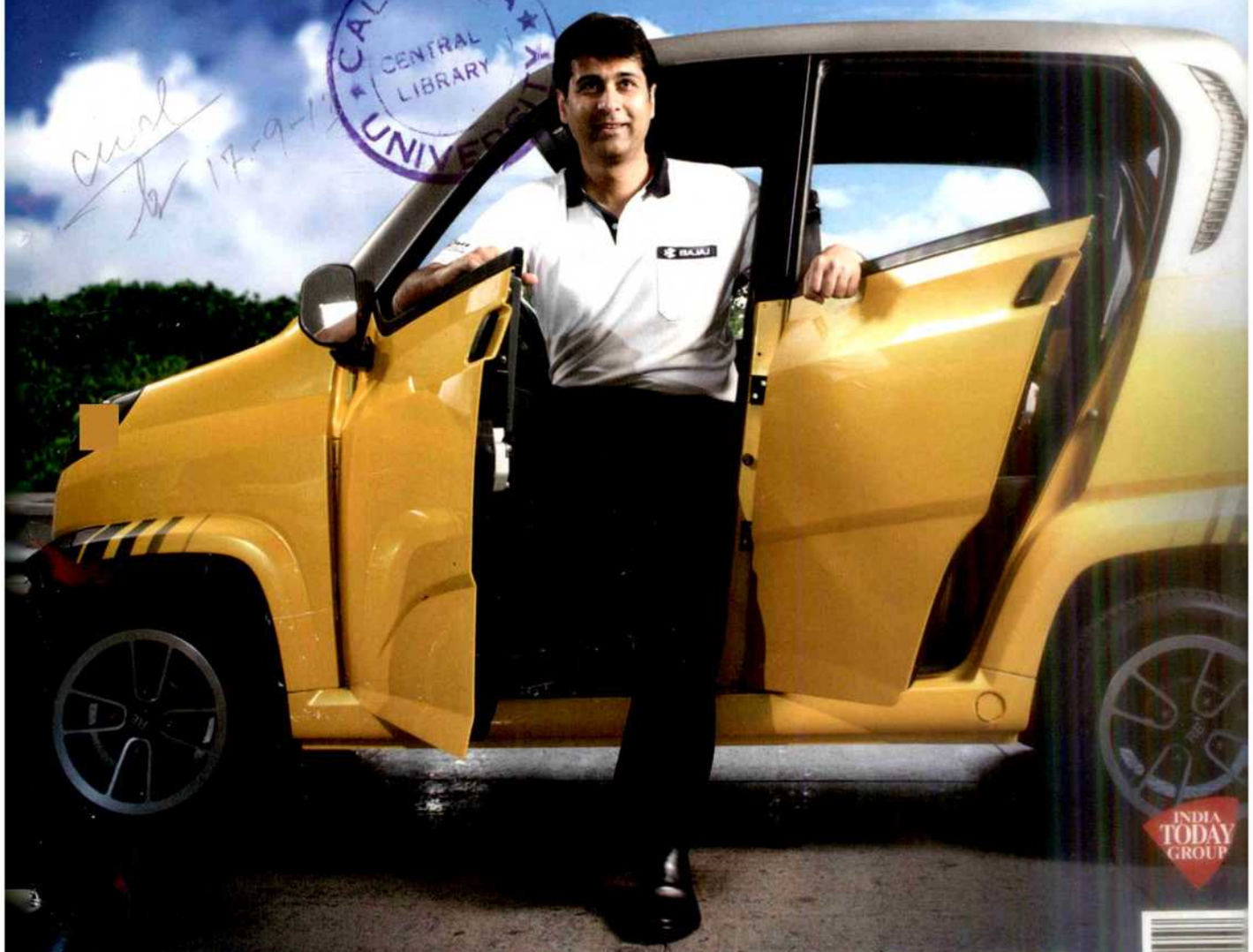

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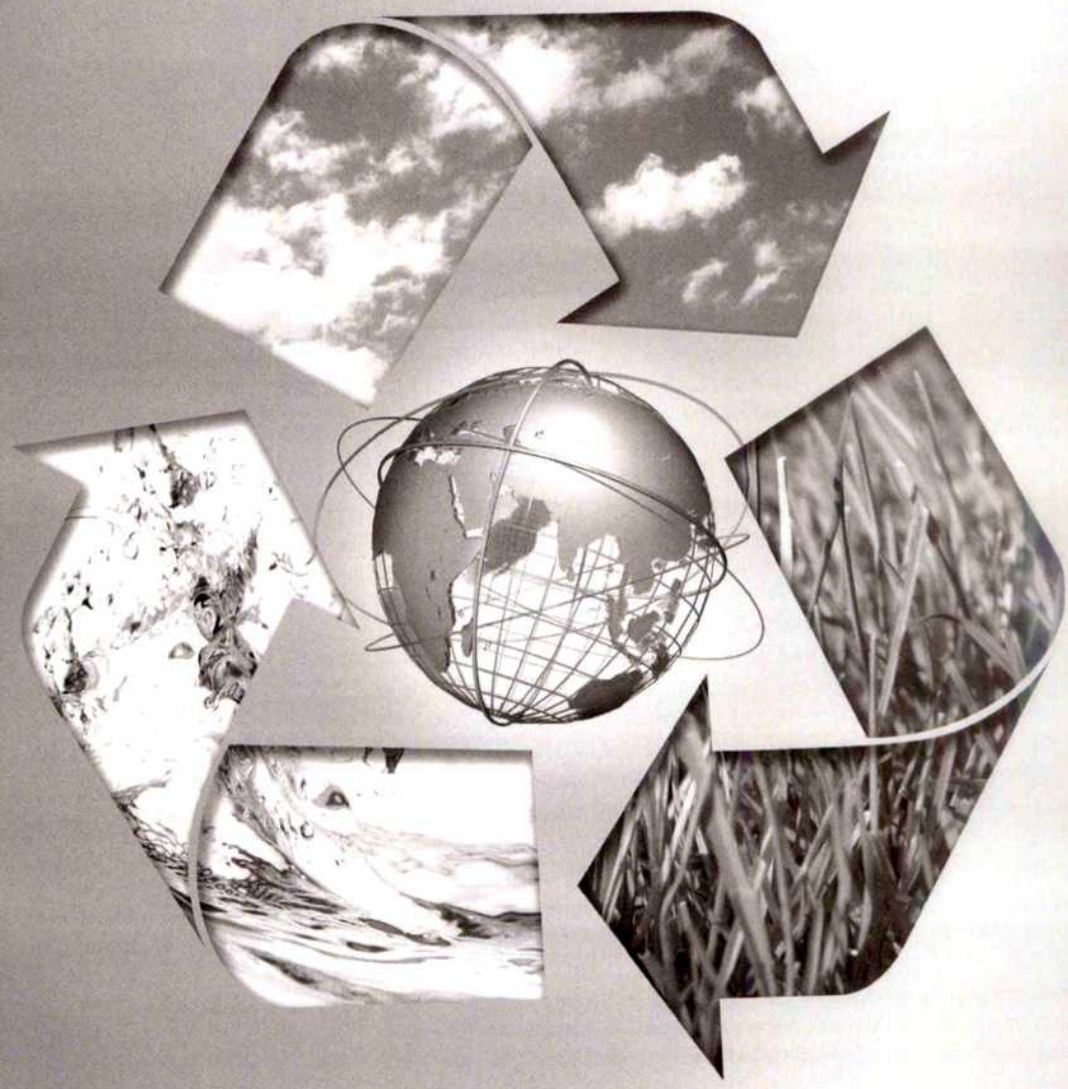

What might be a stainless steel wagon today might turn up as a surgical blade or part of a nuclear reactor tomorrow. Surprised? Well, that's the magic of stainless steel, almost 90% of stainless steel gets recycled into new products. Simply, because unlike most other metals stainless steel suffers no material degradation during recycling. And, that's not all; recycling one ton of steel saves 1,100 kilograms of iron ore, 630 kilograms of coal thereby, saving crucial natural resource and benefiting the environment. Now that's called- "Recycling Redefined".

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Shaping a Stainless World

From the Editor

You see things vacationing on a motorcycle in a way that is completely different from any other. In a car you're always in a compartment, and because you're used to it you don't realize that through that car window everything you see is just more TV. You're a passive observer and it is all moving by you boringly in a frame.

On a cycle the frame is gone. You're completely in contact with it all. You're in the scene, not just watching it anymore, and the sense of presence is overwhelming. That concrete whizzing by five inches below your foot is the real thing, the same stuff you walk on, it's right there, so blurred you can't focus on it, yet you can put your foot down and touch it anytime, and the whole thing, the whole experience, is never removed from immediate consciousness.

Robert M. Pirsig's 1974 meditation on *Zen and the Art of Motorcycle Maintenance* was part of the early stirrings of true biking in India. Much has changed over the past forty years – from the Yezdis made by Ideal Jawa (remember them?) to the Escorts Rajdoots, to the 350 cc Bullets beloved of the sturdy Sikh farmer. Today millions of Indians are getting wheels, clambering on their shiny new motorcycles. And so are Nigerians, Ethiopians, Ecuadorians, Guatemalans, Filipinos and Bangladeshis. Very likely, they are roaring off on a motorcycle made by Bajaj Auto, on a machine that was made after Rajiv Bajaj pulled the plug on the scooter assembly lines in Pune in 2010 in defiance of his father Rahul. It was an audacious change of product and strategy that will doubtless one day be a case study at Harvard Business School. Unlike his male relatives, Rajiv did not go to HBS. He has bucked more than one trend in his restless quest for the No.1 spot in India. That spot has eluded him so far, but Bajaj is now the largest motorcycle exporter in the country, spreading like a pool of motor oil across the world's map.

At *Business Today* we have chronicled the interesting changes taking place in India's two-wheeler and car industries, especially as the country moves to comply with tougher European emission norms. India now makes motorcycles that are indisputably world-class. Rajiv Bajaj is not an easy man to write about. He is both rounded and angular, rooted in his yoga and homeopathy while he is ever willing to poke a sharp elbow in the ribs of his competitors. His rivals have scrambled to thwart the imminent launch of his "quadricycle", the RE60, which will gentrify lower-cost urban transportation on crowded roads that only Bajaj three-wheelers could so far negotiate. Executive Editor Suveen Kumar Sinha spent months tracking the 46-year-old and his top team, travelling to Pune for an unprecedented look at the RE60. Commercial production has not begun yet, but Sinha took a test ride in the intriguing prototype pictured on our cover, which has a steering wheel, four doors, a hard roof, a music system, can seat five in a squeeze, and "feels like a really nice autorickshaw". Read all about it starting from page 42.

This issue of the magazine is again replete with several excellent stories and you will, as usual, find it a very good buy. I hope you have noticed the archival references we bring into our stories – if you follow the links you will get to read earlier reports on the same company or subject. As an example go to page 28, where Associate Editor Suprotip Ghosh describes the troubles of Anil Ambani's Reliance Infrastructure with Mumbai Metro One. They are symptomatic of the quagmire that PPP (public-private partnership) projects tend to sink into; they echo Reliance Infra's disastrous engagement with Delhi's Airport Metro.

At least the Mumbai Metro has got off the ground. The number of big-ticket projects that are stillborn is legion, and a sign of the catatonic state of our economy. Raghuram Rajan, who took over in early September as Governor of the Reserve Bank of India, has accepted a poisoned chalice from Duvvuri Subbarao. Senior Editor Anand Adhikari examines the "Subba" legacy and Rajan's task on page 40. Write to me if you find cause for optimism!

Chaitanya Kalbag

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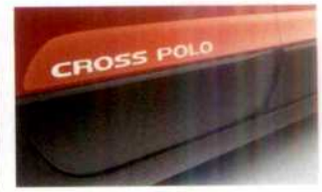

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Re: Letters to the Editor

Economic *Harakiri*

Your cover story on India's economic crisis (*India Impotent*, September 15) was worth reading. Manmohan Singh's dream team in the UPA's second term was expected to deliver mind-blowing growth pushing reforms aggressively. His government handled the financial crisis in 2008 well. But after that there has been complete economic *harakiri*, beginning with two draconian proposals in the 2012/13 Budget of then Finance Minister Pranab Mukherjee – GAAR and the Amendment to IT Act – followed by the 2G scam and mining scam, leading to huge losses for the government exchequer. Inflation has also hit the roof. The time has come for both the PM and the Opposition to ensure that many reforms are initiated. Both must realise that the 1991 financial crisis should not be repeated.

Ramesh J. Bhojwani, *Mumbai*

Remarkable List

Your yearly listing of the "Most Powerful Women" (September 15) highlighted the hard work and personal sacrifices of 33 women, including first generation entrepreneurs, marquee deal makers, meticulous litigators, and housewives turned executives. Starting with Vinita Bali sharing her experiences, the Hall of Fame section elaborated how these women made their journeys in the business world. The new entrants to the list, too, irrespective of age and fame, have accomplished their mission showing great capabilities. Many photographs were also eye-catching. Kudos for your efforts in putting together the package

Abhinav P., *New Delhi*

Niyamgiri Tribals

It is true that the tribals in Orissa's Niyamgiri hills have rejected Vedanta's bauxite mining project (*Rule of Thumb*, September 15). But at the same time it is ironic that we have to import coal and bauxite – though we have rich resources of both minerals – at a time of economic downturn. The government has to find a way out by introducing modern methods of mining, so that it can be carried out in the Niyamgiri hills and other such places without harming tribal interest.

Jacob Sahayam, *Thiruvananthapuram*

Magical Coffee

As a coffee-lover, I thank *Business Today* for the off-beat feature on suppliers of freshly roasted and ground coffee (*Smelling the Coffee* September 15). I realise now, that for all my liking for coffee, I was a coffee philistine, having no idea that the magic of a good cup of coffee lies is in the way it is roasted and ground. I used to think the quality of the coffee bean mattered the most.

B.S. Acharya, *Berhampur*

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India is not facing 1991-like crisis, says PM
Tell us what will happen after seven months.
- **Bibek Kumar Singh**

Rupee will touch 72 against the US dollar in next six months: Goldman Sachs
For the government, there lies no more justification to deny this prediction. - **Akshat Kapoor**

Nokia in kitty, Microsoft can now take on Google and Apple
Now it is time to invent something different. - **Akhil Babu**

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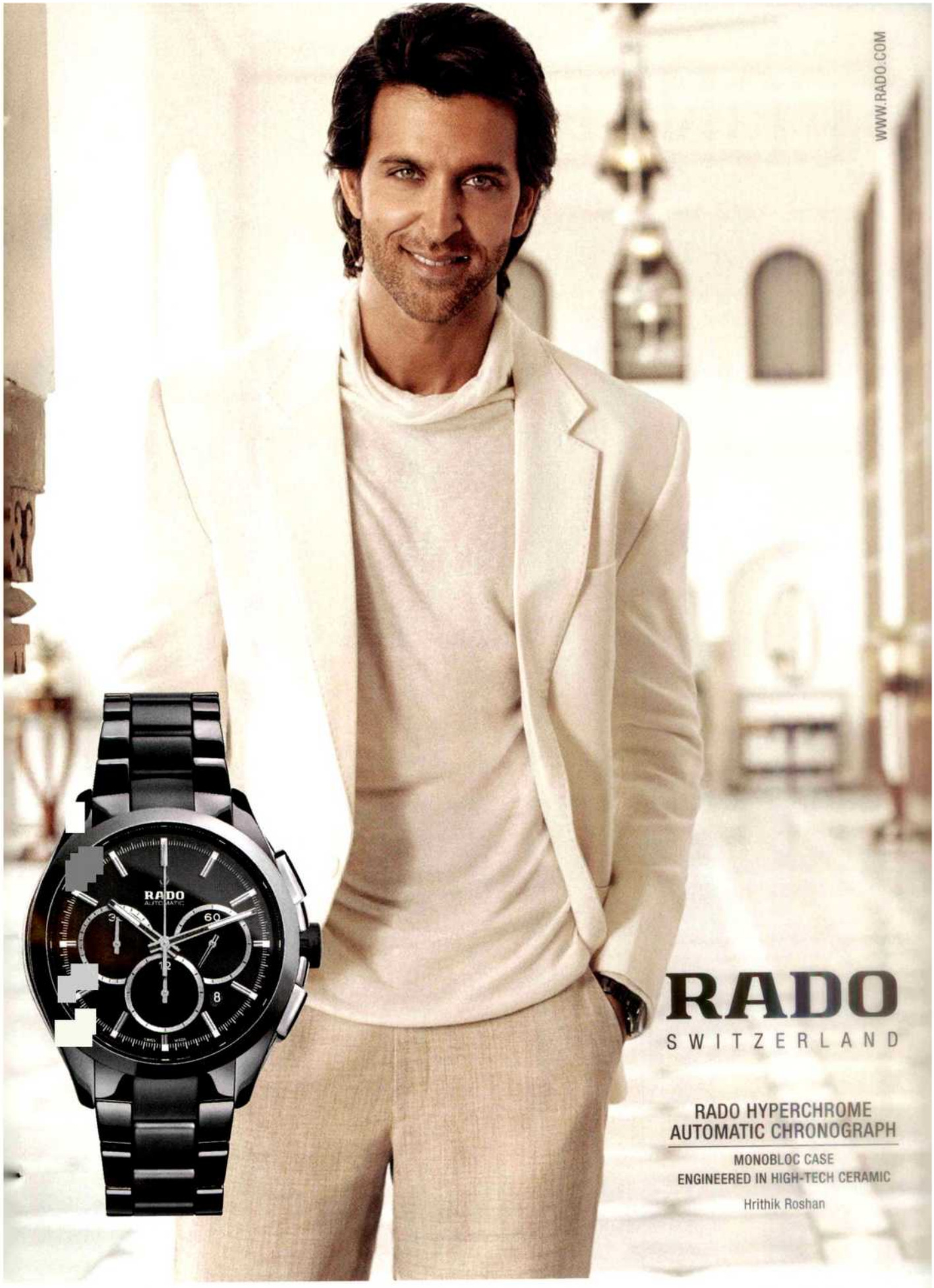

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CONTENTS

COVER BY ANAND SINHA
PHOTOGRAPH BY RACHIT GOSWAMI

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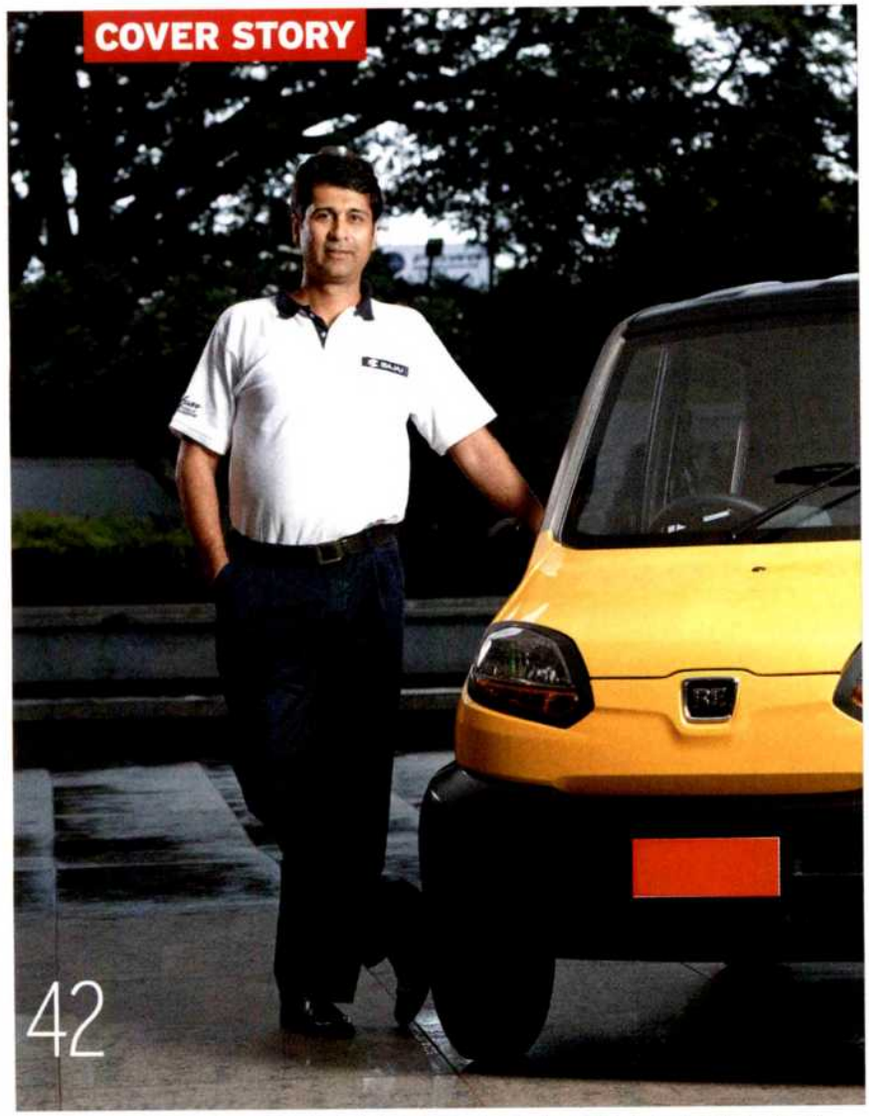


COVER STORY

42

THE QUADRICYCLE DIARIES

42 | Nobody likes the quadricycle. But its maker Rajiv Bajaj doesn't care. He never did, as he built a company in defiance of what others, including his father, thought

UPFRONT

12 | Quick takes on major events

16

FOCUS

16 | Storm Signals
India is not the only nation affected. Stocks and currencies across emerging markets could take a pounding

24 | Saving His Own Skin
Promoter Jignesh Shah is trying hard to distance himself from the mess at the NSE by shifting the blame on to its management

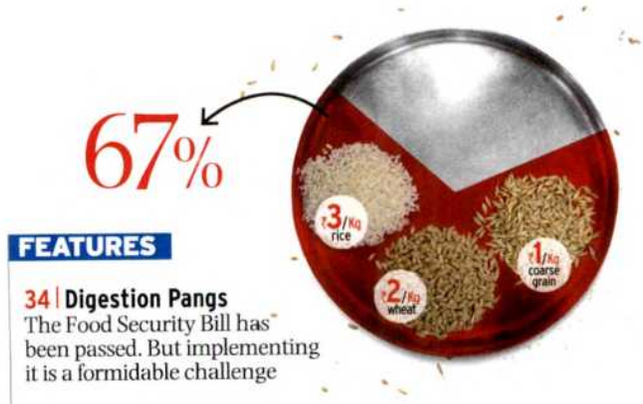
28

28 | Going off the Rails
Reliance Infrastructure's Mumbai Metro is caught up in a dispute over a fare hike even before it starts operations

32 | Graphiti: On Top of the World

38

38 | Crossing Our River Styx
Business Today Editor **Chaitanya Kalbag** on the faltering economy



FEATURES

34 | Digestion Pangs
The Food Security Bill has been passed. But implementing it is a formidable challenge

40

40 | Rockstar Successor
The RBI's priorities may see some shifts with Raghuram Rajan replacing D. Subbarao as governor

60

60 | Banking on Gas
The $5-billion Videocon Group is dipping into its oil and gas assets to tide over its debt, but scaling up new businesses remains a challenge

70 | Caring and Sharing
Profiles of the top six listed companies that have paid the best dividends in the past decade

80

80 | Combining to Conquer
By merging its PC and printer businesses, HP has consolidated its lead in both segments in India. But there is no room for complacency

ONLINE

Marching to a Different Drummer

Rajiv Bajaj is building his quadricycle in defiance of what others, including his father Rahul Bajaj, thought
businesstoday.in/rajiv-bajaj

Rough Weather

Despite fare hikes, Indian airlines continue to bleed. Expect further hikes this year
businesstoday.in/airfare-hikes

PERSPECTIVE

The Man Who Dared to Differ

Anand Adhikari assesses the legacy of the outgoing RBI governor, Duvvuri Subbarao.
businesstoday.in/subbarao-legacy

Microsoft Embraces Nokia

Nandagopal Rajan on what their coming together means for both giants.
businesstoday.in/microsoft-nokia

Dark Clouds

There is more pain ahead as GDP growth slumps to 4.4 per cent in first quarter of 2013/14, says **Shweta Punj.**
businesstoday.in/gdpgrowth-slump

Not Again

Petroleum prices will rise yet again soon, even if Syria does not reach a flashpoint. **Anilesh Mahajan** explains why.
businesstoday.in/oilprice-hike

BLOG

Shoot and Tell

Vivan Mehra on how he went about taking his innovative pictures of Sasha Sanyal, Madhurima Mukherjee and Anupama Ahluwalia for the 'Most Powerful Women in Indian Business' feature
businesstoday.in/vivan

CONTENTS

FEATURES

84

84 | Sky-High Ambitions
Jyothy Labs' M.P. Ramachandran turned Henkel around in less than two years. Will he give consumer products giants a tough fight?

92 | Deals Gone Sour
Websites specialising in group buying deals are floundering. Some have closed, while others have been forced to change their business model

BT EVENT
96 | *Savoir Faire* and Sisterhood
Business Today celebrates the power of corporate women for the 10th time

100 | Interview with Ursula Burns
"The personality of Xerox is not gender-based, but it is one that enables women"

100

104

104 | Marketing at the London Olympics
This Case Study examines the branding strategies deployed at the 2012 Games in London and highlights how unorthodox approaches of non-sponsor brands managed to steal the show through innovative use of social media and public relation campaigns

MONEY
110 | Small Blessings
The pros and cons of investing in close-ended funds focused on stocks of smaller companies

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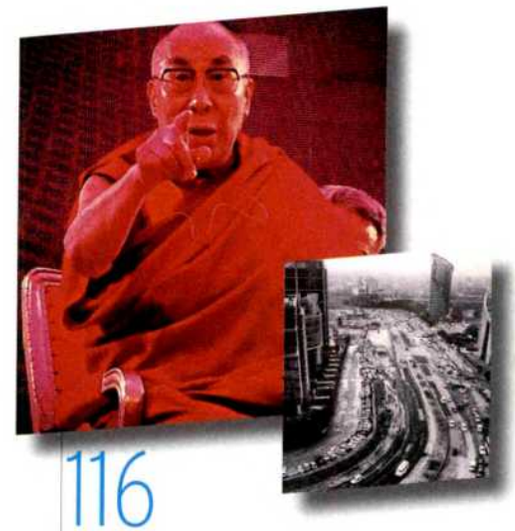


116

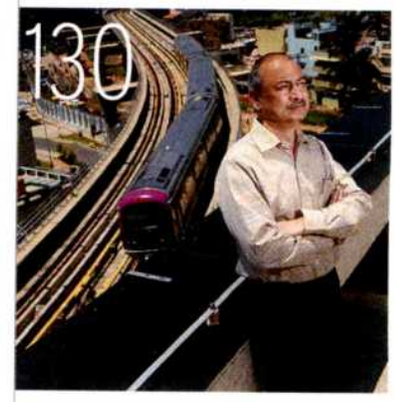
LBNL

116 | Instagram for Instafame
Indians, too, are hooked to this photo sharing site, which has become a rage across the world

RIGHT CLICK
119 | All Aboard the Cyber Coach
Providing affordable handsets with web access is now the key focus of manufacturers

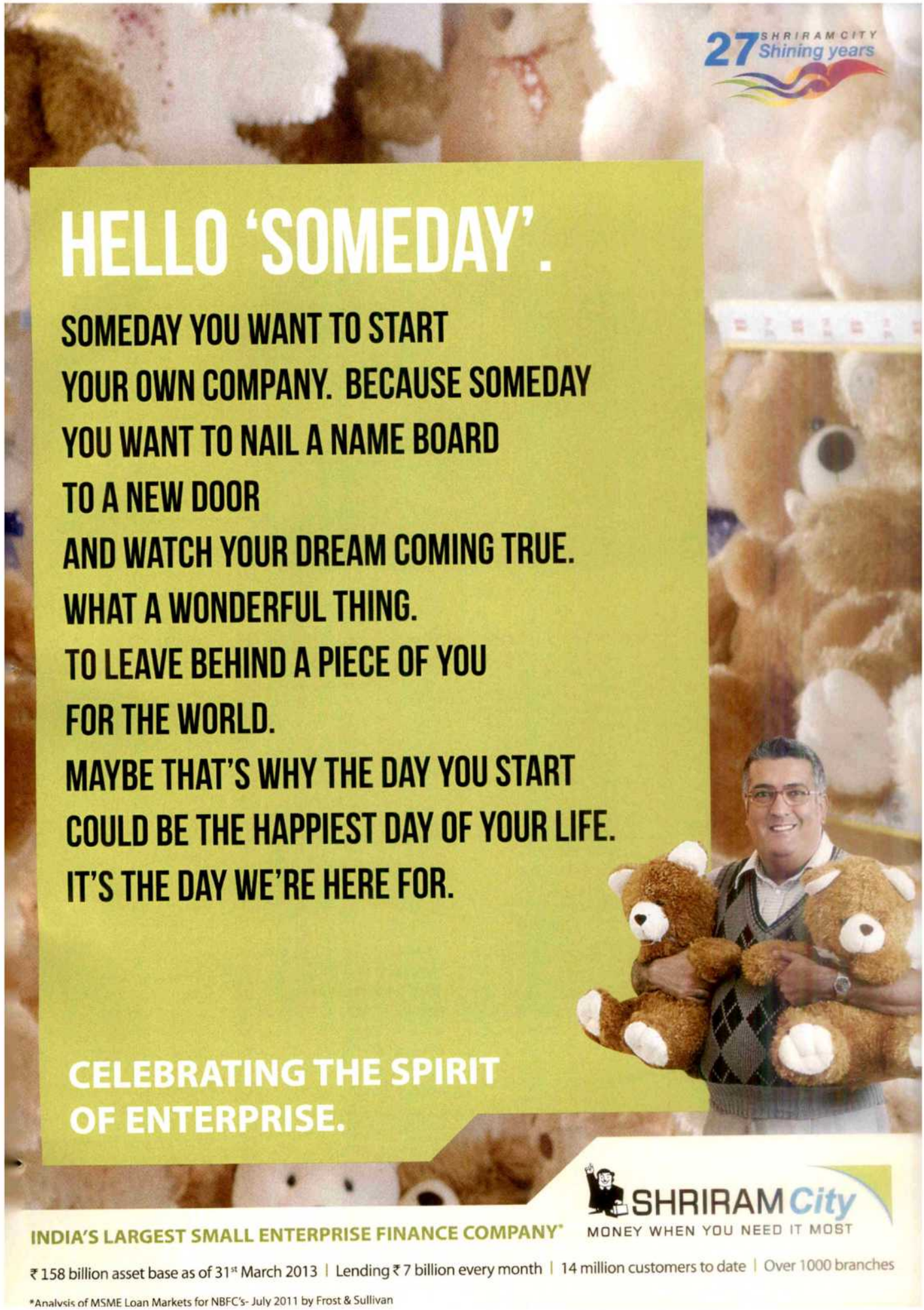
SMART EXECUTIVE
123 | You Are What You Wear
The way you present yourself at work impacts your career prospects

BOOKEND
125 | Elemental Power
How iron, carbon, gold, silver, uranium, titanium and silicon have affected history



130 | PEOPLEBUSINESS

LEADERSPEAK
134 | Dhruv Shringi
Co-founder & CEO, Yatra.com


27 SHRIRAM CITY
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YOU WANT TO NAIL A NAME BOARD
TO A NEW DOOR
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*Analysis of MSME Loan Markets for NBFC's- July 2011 by Frost & Sullivan

REUBEN SINGH

Fuel Curfew: Petroleum Minister Veerappa Moily came out with a bizarre proposal to to do away with 24-hour petrol pumps in cities. He proposed fuel filling stations remain open from 8 am to 8 pm only. Within hours, after a huge uproar by opposition parties and consumers, the ministry beat a hasty retreat. (See also *Oiling the Wheels* Pg 18)

Corporate

The government is in a hurry to prove its reforms credentials to the world. Its efforts come in fits and starts though. In a bid to improve the investment climate in the country, **the Cabinet has cleared a bilateral air services agreement between India and Abu Dhabi**. The move will give a boost to Etihad Airways' acquisition of a 24 per cent stake in Jet Airways. With it, the number of seats airlines from India and Abu Dhabi can operate to either destination jumps to 50,000 a week from the current level of about 10,000. Apart from this, **the Cabinet has also cleared US-based pharma company Mylan Inc's ₹5,168-crore proposal to acquire Indian generic drugs company Agila Specialties.**

How many companies are betting big on the future despite the downturn? Mahindra & Mahindra is one. It will invest ₹10,000 crore in the next three years on capex and launching new products. The company is scouting for locations, including spots close to its Chakan plant in Maharashtra, to set up its new plant which will manufacture new products. The final decision will be taken this fiscal year, says Pawan Goenka, President (Automotive and Farm Equipment), Mahindra & Mahindra.

Tata Motors is another. It is going ahead with its planned investment of ₹3,000 crore in this financial year, Managing Director Karl Slym said on the sidelines of the SIAM annual convention.

Most airlines, including **Air India, Jet Airways, IndiGo, SpiceJet and GoAir, have hiked fares by a steep 15 to 25 per cent** to mitigate the impact of the sharp fall in the rupee's value and the spike in fuel costs. The Delhi-Mumbai spot fare now costs over ₹9,000, a rise of over 23 per cent over last year. Indian airlines are staring at net losses of $400 to 450 million in the current quarter, according to a report by CAPA-Centre for Aviation.

Indian services activity shrank in August at its quickest pace since the global financial crisis began, as new business dried up. The trend stokes worries that growth in the July-September quarter could be even weaker than in April-June.The HSBC services Purchasing Managers' Index (PMI) compiled by Markit slipped to 47.6 in August, the weakest since April 2009, from 47.9 in July.

Nokia, which has dominated the mobile phone market for 14 years, announced the sale of its mobile phone unit to Microsoft for $7.2 billion. Nokia will grant Microsoft a 10-year non-exclusive licence to its patents. Nokia itself will focus on network infrastructure and services.

Verizon Communications will buy Vodafone's 45 per cent stake in Verizon Wireless in a $130-billion deal that gives it full control of the most profitable US mobile carrier.

China's factory output expanded at the fastest pace in more than a year in August. The purchasing managers' index figure rose to 51 in August from 50.3 in July.

Economy

Finally, **the Pension Fund Regulatory and Development Authority Bill** got the Lok Sabha nod. The Bill allows 26 per cent foreign investment in the pension sector. The PFRDA will notify New Pension System schemes that provide minimum assured returns, as the standing committee has suggested some sort of guaranteed returns.

India's manufacturing sector is continuing its downward journey, contracting to its lowest in over four-and-half years with both output and business orders dropping in August. **The HSBC/Markit Purchasing Managers Index for the manufacturing industry stood at 48.5 in August down from 50.1 in July**. The index hits its lowest since March 2009.

Top US bank JPMorgan cut India's growth estimate from 5.1 per cent to 4.1 per cent, while global financial services firm Nomura expects the economy to grow 4.2 per cent in 2013/14. Bank of America Merrill Lynch said growth was estimated at four per cent in a stress case scenario. **Standard & Poor's said there was a more than one-in-three chance of a ratings downgrade for India.**

Output growth of eight core industries, which have a weightage of about 38 per cent in the Index of Industrial Production, **slowed to 3.1 per cent in July**, from 4.5 per cent registered in in July last year.

$236 mn

Damages claimed by United Breweries, Kingfisher Airline's key shareholder, from US-based aircraft engine maker International Aero Engines AG for allegedly supplying defective machines.

60

India's ranking in the latest Global Competitiveness Report of the World Economic Forum. India dropped a place this year. Switzerland, Singapore and Finland topped the list of 128 economies.

$1 billion

FDI in the pharamecuticals sector, the highest among the top 10 segments, during the April-June quarter.

Markets

Indian companies raised $3.7 billion through external commercial borrowings in July 2013. This compares with $1.98 billion raised in June to fund modernisation, overseas acquisition and import of capital goods.

The RBI has asked banks to desist from upfront **disbursal of sanctioned individual housing loans to builders** as it exposes both the lender and home loan borrower to additional risks.

Sebi has decided to adopt 24 standard global principles for clearing corporations and depositories. These will safeguard investors and the market from systemic risks emanating from financial market infrastructures.

Coming Up

- The government is working out mandatory standards for imported goods, such as chemicals and engineering, to check shipments of sub-standard items from various countries, including China, said Commerce Secretary S.R. Rao.

- The working committee of the Board of Control for Cricket in India has invited N. Srinivasan, who stepped aside as president in the wake of the spot-fixing scandal in the Indian Premier League, to attend its annual general meeting on September 29. He is expected to perform his constitutional and statutory functions.

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FOCUS

18 Oil's Not Well

24 Jignesh Shah's Game Plan

32 Indians On Top

HSO.NAVS SANTOSH

Storm Signals

India is not the only nation affected. Stocks and currencies across emerging markets could take a pounding.

By SHANKAR SHARMA

4.5%

The drop in the BSE Sensex levels in 2013 (until September 5)

India is a strange, insular, inward looking country. Indians, like Americans, remain absorbed in local news, local gossip, local movies, local politics, economics and markets. And as a result, we find ourselves becoming euphoric or hysteric based on how we see our immediate situation and surroundings, instead of stepping back and taking the larger view.

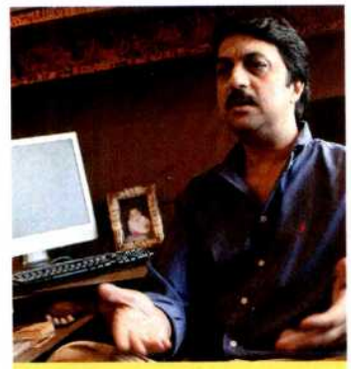
Today, it is this larger perspective that is required. But strangely enough, the professionals engaged in economic analysis – fund managers, economists, analysts – have forgotten that forming opinions without facts or data backing them is dangerous.

Just looking at the *hahakaar* (there is really no English word that captures the raging emotions of today), one could be pardoned for thinking that India is the only country in the world experiencing a slow-

down, is grappling with corruption, a falling currency, etc.

This is simply not the case.

Every single country is sitting on a growth cliff, and has been doing so since 2008. Every single country has a dissatisfied populace. Every single country is seeing joblessness, rising crime, protests and corruption. But this goes against the popular narrative in the Indian media. India's currency is in free fall, goes the narrative. But try telling people that this is true of several countries and you may as well be hitting a brick wall. India's economic growth has slowed down sharply but really, I can't see any worthwhile country whose growth rates have accelerated in the past five years.



"I AM VERY CERTAIN THAT THE EMERGING MARKETS BULL RUN THAT STARTED IN 2003 IS NOW IN ITS LAST FEW WEEKS OF LIFE. THE PERIOD FROM HERE ON WILL BE UGLY, PERILOUS, AND SEVERELY INIMICAL TO POSITIVE RETURNS"

Shankar Sharma

India is totally corrupt. Then why are there so many protests in Brazil, Russia, Turkey, Wall Street (the Occupy Wall Street movement), Europe? What about the rampant corruption in China perpetrated by Communist Party officials, involving numbers that are staggering?

As always, the numbers tell the story. But the human mind is terrible at accepting numbers as a basis for establishing or arguing a point of view. As Daniel Kahnemann writes in his brilliant book *Thinking, Fast and Slow*, the human brain is wired to accept and swallow easy narratives, catchy stories, not data or facts.

And the easy story is that India has been messed up by the United Progressive Alliance (UPA) government, and that times under the Bharatiya Janata Party-led National Democratic Alliance (NDA) in the pre-2004 period were much better. Relevant data offers evidence that is much to the contrary, but without going into the mess the NDA left India in, let's simply focus on the data on the UPA's rule, and compare it with that of the world.

India, since 2004, has grown its GDP at 7.7 per cent CAGR (Compound Annual Growth Rate). Only China beats it, and that too marginally, by around 1.8 percentage points. The other members of the BRIC (Brazil, Russia, India, China) pack are not even close. Brazil and Russia have hugged the zero to 2.5 per cent line on a compound basis – a shame, considering they were hugely rich in natural resources, unlike India which has insufficient resources for its appetite.

But the most important thing is this: India has grown this fast, despite lowering its debt/GDP from 90 per cent under the NDA to under 70 per cent now. And this has been achieved at an inflation rate of seven per cent. Even more importantly, interest/budgetary receipts have been reduced from 50 per cent to 30 per cent under the UPA. This has had the powerful impact of freeing up resources for social welfare schemes, without raising the debt/GDP ratio. Countries would die for such fiscal management, but try saying that to anybody these days without getting your head chewed off.

In contrast, China has grown a tad faster, but has completely messed up its internal balance sheet, by ballooning its debt/GDP to over 150 per cent – a level widely considered as being the point of no return. The data is unequivocal. India has handled the massive global growth slowdown the best among the major economies.

That said, India messed up on gold, which has, in turn, messed up our external situation. Gold is a non-essential, and should have been put on a 30 to 50 per cent import duty a year back. This soft approach of two percentage point increases in duties is insufficient, and came late.

Here is what I see ahead: a world sitting on a growth cliff. The same goes for markets. I am very certain that the emerging markets bull run that started in 2003 is now in its last few weeks of life. The period from here on will be ugly, perilous, and severely inimical to positive returns.

In such a scenario, no levels for markets and currencies are too low or sacrosanct. Corporate India will pay for its sins of over-leverage dearly. At the best of times, most Indian companies have had little respect for capital. In times ahead, a drop of capital will be more precious than a drop of molten gold.

I remain convinced that many of our banks will see sharp cuts in their net worth as large amounts of corporate and retail debt go bad. Our banks have had it too easy for too long.

In conclusion, hiding your money under your mattress may be the safest investment strategy to employ. ◆

The author is Vice Chairman and Joint Managing Director, First Global

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GETTY IMAGES

Costly commodity: An aerial view of the Iranian Balal offshore oil platform in the Gulf

Oiling the Wheels

The war threat in Syria and the falling rupee force India to intensify its efforts to improve ties with Iran. By ANILESH S. MAHAJAN

It is one of India's worst nightmares – a US strike on Syria, leading to a surge in crude oil prices. The rupee is already in free fall making imported crude costlier, and if crude price rises as well, it will mean untold woes for the economy. No wonder Indian policymakers are glued to the television these days, following closely every step of US President Barack Obama's response to the unfolding developments in Syria.

An attack on Syria could push oil prices to $150 levels, from about $115 now, according to most analysts. "If crude oil price goes this high, it will be difficult for the government to curtail inflation, which will be driven by supply side constraints," says Anis Chakravarty, Chief Economist at Delloite Touché Tomastu's India chapter. Syria is not a major oil producer itself, but is an important oil transit state in West Asia. The Syrian government is in the dock for allegedly using chemical weapons on its own citizens.

AN ATTACK ON SYRIA COULD PUSH PRICES TO $150 LEVELS, FROM ABOUT $115 NOW. THE GOVERNMENT IS SEEKING WAYS TO CUSHION THE ECONOMY

With a US strike appearing imminent, the Indian government is seeking ways to cushion the blow to the economy. India wants to ensure the country's energy security and also reduce the oil import bill by roughly $20 to 25 billion. In the last six months, India has spent four per cent of foreign currency reserves on imports. Oil accounts for about a third of India's import bill. "I have discussed this matter with the finance minister in the last week of August. We are taking full stock of the situation (in Syria) and are looking for ways to curtail the impact," said Petroleum Minister Veerappa Moily. In this hour of crisis, then, India seems to be turning to Iran.

Iran gives 90 days credit to Indian oil companies and its crude is cheaper than that from Saudi Arabia and Iraq. It also accepts some payments in Indian currency. Moily points out that India saves precious foreign exchange too if it buys crude from Iran.

India reduced oil imports from Iran after the United Nations imposed sanctions on that country in 2011 in response to its controversial nuclear programme. From 18.1 million metric tonne (MMT) in 2011/12, India reduced the volume of crude exports from Iran to 13.1 MMT in 2012/13. In the first six months of this fiscal year, India imported only 2 MMT from Iran.

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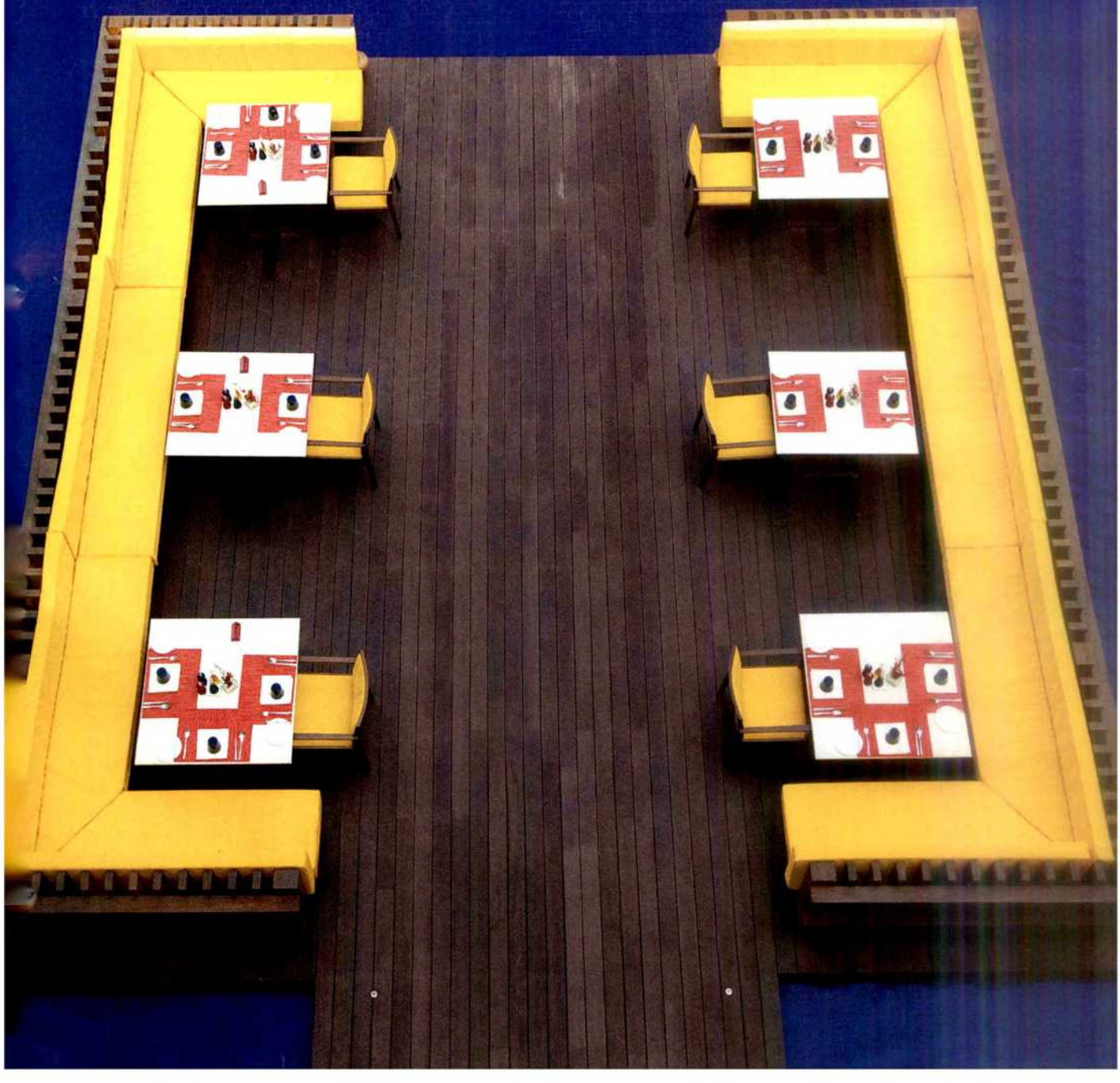

All this could change if Moily has his way. The minister is expected to travel to Iran soon and is keen to improve bilateral ties. Indeed, he wrote to PM Manmohan Singh on August 30 that India could save $8.47 billion if it buys as much crude from Iran as it did in the last fiscal year.

Roadblocks ahead

But revisiting ties with Iran comes with its own share of problems. Iran is still facing sanctions from the US, European Union (EU) and the United Nations (UN). India's bilateral relations with some of the major global economies could suffer if it does business with Iran. Then, there are issues relating to payments, insurance of the oil carrying vessels and even availability of these ships as these are all largely controlled by the western countries.

The most thorny issue is related to payments in Indian rupee for crude imports. India has a rupee-based payment mechanism with Iran. This essentially means Iranian oil can be purchased with Indian rupees, which Iran would use to buy Indian goods. India has made some 45 per cent of the total payment due to Iran in Indian currency in the last two fiscal years. But with the recent depreciation of the rupee and India's limited exports to Iran, it may be a problem for this arrangement to work in the future.

INDIA ALSO HAS A RUPEE-BASED PAYMENT MECHANISM WITH IRAN. THIS MEANS IRANIAN OIL CAN BE BOUGHT WITH INDIAN RUPEES

India is now exploring the possibilities of a rupee-based trade-payment mechanism with other countries. Sources in the Indian government say that Commerce minister Anand Sharma is negotiating with three countries to accept Indian currency from Iran. The Indian foreign office too is burning the midnight oil to make this happen. On September 1, Indian Ambassador in Tehran D.P. Srivastava met the new Iranian oil minister Bijan Namdar Zanganeh, and discussed the Indian plan.

Meanwhile, officials at the Indian foreign office told *Business Today* that the Indian ambassador in Washington, Nirupama Rao, has been asked to explain to the Obama administration the possible impact of a US attack on Syria on the Indian economy.

At the G20 summit too, India, along with other BRICS nations and EU constituents warned the US of the dangers of military intervention without the approval of the UN Security Council.

Separately, officials will explain to their US counterparts India's economic compulsions in dealing with Iran. "India must tell the US to ease some of the sanction provisions as a special case, so that India can import more crude oil. The spike in crude oil prices would be unsustainable for the economy," says Naresh Chandra, former Indian Ambassador to the US.

"We neither subscribe to the US or EU sanctions on Iran, but follow UN sanctions. We will continue to look for solutions within the ambit of those restrictions," says Indian foreign minister Salman Khurshid. However, officers in the external affairs ministry believe that rather than depending on Iran, at the cost of spoiling relations with the US, India should look at sourcing more crude from countries such as Mexico, Venezuela and Iraq, where the US can "help" in doing so.

But developments in Syria will have to be watched closely by the Indian government with contingency plans in place. ◆

BUILDING BRIDGES

How key policymakers feel about reaching out to Tehran

P. Chidambaram, Finance Minister
Supports move to revisit ties with Iran. Wants to cut oil import bill by $25 billion

Veerappa Moily, Petroleum Minister
Strongly supports breaking the ice with and importing more oil from Iran

Salman Khurshid, External Affairs Minister
Not too sold on Iran. Wants to follow UN sanctions. Exploring the option of sourcing more oil from Mexico, Venezuela and Iraq

Anand Sharma, Commerce Minister
Is trying to get other countries to accept the rupee as the trading currency from Iran. The move could also stabilise the rupee and reduce the current account deficit

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"Currency Markets are Overshooting a Little Bit"

At a time when the Indian economy is facing its worst crisis in a decade, not many would suggest a tighter monetary policy. **Leif Eskesen**, *Chief Economist for India and ASEAN at HSBC Global Research, wants the Reserve Bank of India to do just that. In an interview with* **Suveen K. Sinha**, *Eskesen also talks about the rupee's slump and why a full-blown currency crisis is unlikely. Edited excerpts:*

Prime Minister Manmohan Singh has ruled out a return of capital controls. How do you react to that?

That is a positive. At a time when there is nervousness in markets, you have to be careful about even hinting at capital controls being a possibility. It is a good message to send to foreign investors, that they have nothing to worry about on that front. If they thought it was a possibility, it could potentially lead to more adverse capital flow dynamics. Capital outflows could have been exacerbated.

Is the market misbehaving?

You can't just dismiss it as the markets overreacting. What the markets are responding to is that India's economy is saddled with structural issues that are showing up in lower growth, persistently high inflation, and a high current account deficit. The tapering-related fears are affecting India in particular. Overall, related to emerging markets, the [currency] markets are overshooting a little bit. But that is the nature of the game when there is uncertainty: when will the QE (Quantitative Easing) begin to taper, and what its implications are, and what the growth story is going to look like in emerging markets.

You have said the RBI should go ahead with conventional monetary policy measures even if they affect growth. That may not have pleased many of your followers.

What the RBI should focus on is currency stabilisation measures and tighten the monetary conditions, as they have done... It is important for the RBI to be clearer in its communication that the currency stabilisation measures will be in place until the currency stabilises. And more will be done if needed.

Do you think the panic over the falling rupee is justified?

Whether from the policy side or the investor side we should be as worried as the markets are. It reflects the heightened level of uncertainty both from the global side and also specific to India: whether things will turn around, whether there will be a suitable policy response. We should not necessarily compare what the fundamental value of the currency should be in normal circumstances at a time of uncertainty and risk aversion.

Does the currency meltdown in emerging markets remind you of the East Asian crisis of 1997/98?

To say that emerging markets as a whole are in a situation of the East Asian crisis of 1997/98 is a stretch. They had a heavily managed exchange rate, and had significant un-hedged short-term external liabilities... They are in better shape now. Foreign exchange coverage is much better than it was then... Monetary and fiscal policy institutions are today stronger than they were then.

If you look at the global backdrop, the [US] Fed is lining up for tapering, but even when the Fed begins to taper, it will have a loose monetary policy in place... Closer home, the Bank of Japan is in the process of doubling its balance sheet. That will partly set off the Fed's tapering... That is a friendlier global backdrop than you had in the late 1990s. The market is merely going through a re-pricing of emerging versus advanced markets. But we are not on a trajectory to go into a full currency crisis. ◆

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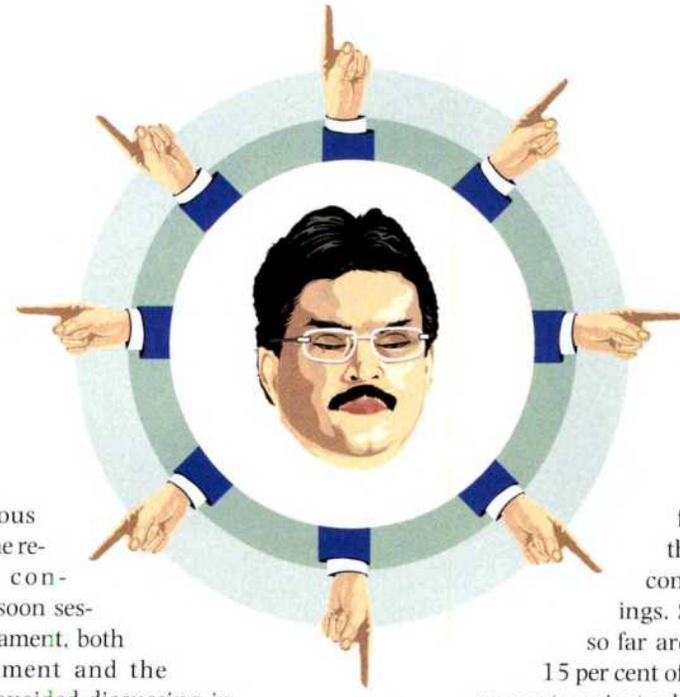
Saving His Own Skin

Promoter Jignesh Shah is trying hard to distance himself from the mess at the National Spot Exchange by shifting the blame on to its management. By MAHESH NAYAK



RAJ VERMA

It is curious that in the recently concluded monsoon session of Parliament, both the government and the opposition avoided discussing in detail the snowballing National Spot Exchange (NSEL) crisis. Why were the lawmakers silent on this while waxing eloquent on so many other issues? "NSEL is bigger than the Harshad Mehta scam," says Alok Churiwala, Vice Chairman of the BSE Brokers Forum. "Mehta only cheated the banks, while NSEL has breached the trust on a nationwide electronic platform."

Both NSEL and Jignesh Shah, its Vice Chairman, were not available for comment. The NSEL has defaulted on a payment of ₹5,500 crore to some 13,000 investors. After trading stopped, it had put forward an eight-month plan to settle investors' dues, but it has already defaulted. At the time of going to press, it had paid investors just about ₹297.5 crore against a commitment to pay ₹522 crore. But of this too, the bulk, ₹177.23 crore, has been sourced as a bridge loan from the NSEL's promoter Financial Technologies (FT).

NSEL HAD PUT FORWARD AN EIGHT-MONTH PLAN TO SETTLE INVESTORS' DUES, BUT IT HAS ALREADY DEFAULTED

Meanwhile, the audit of the 20-odd NSEL-accredited warehouses by Swiss-based audit firm SGS has thrown up disconcerting findings. Stocks found so far are only about 15 per cent of the declared amount against which transactions took place on the NSEL. Sources say the audited warehouses were expected to have stocks worth ₹2,200 crore, but the recovered stocks are worth only ₹300 crore. How did the warehouses issues receipts without verifying the value of the commodities or checking for collateral? The size of the shortfall amount suggests it was more than just mismanagement.

This puts the spotlight on the role of the NSEL's own auditor – why was this not pointed out earlier? "The accounts for 2012/13 were in order. In fact, we verified 75 per cent of the transactions carried out on the NSEL and we did not find any problem," says Mukesh Shah, promoter of Mukesh P. Shah & Co, the NSEL's auditors. There is another unanswered question – the mysterious depletion of the NSEL's settlement guarantee fund (SGF) after trading was stopped. It was earlier stated to be ₹800 crore, it is now ₹60 crore. "Liquid investment including fixed deposits receipts and investment in mutual funds were genuine and they

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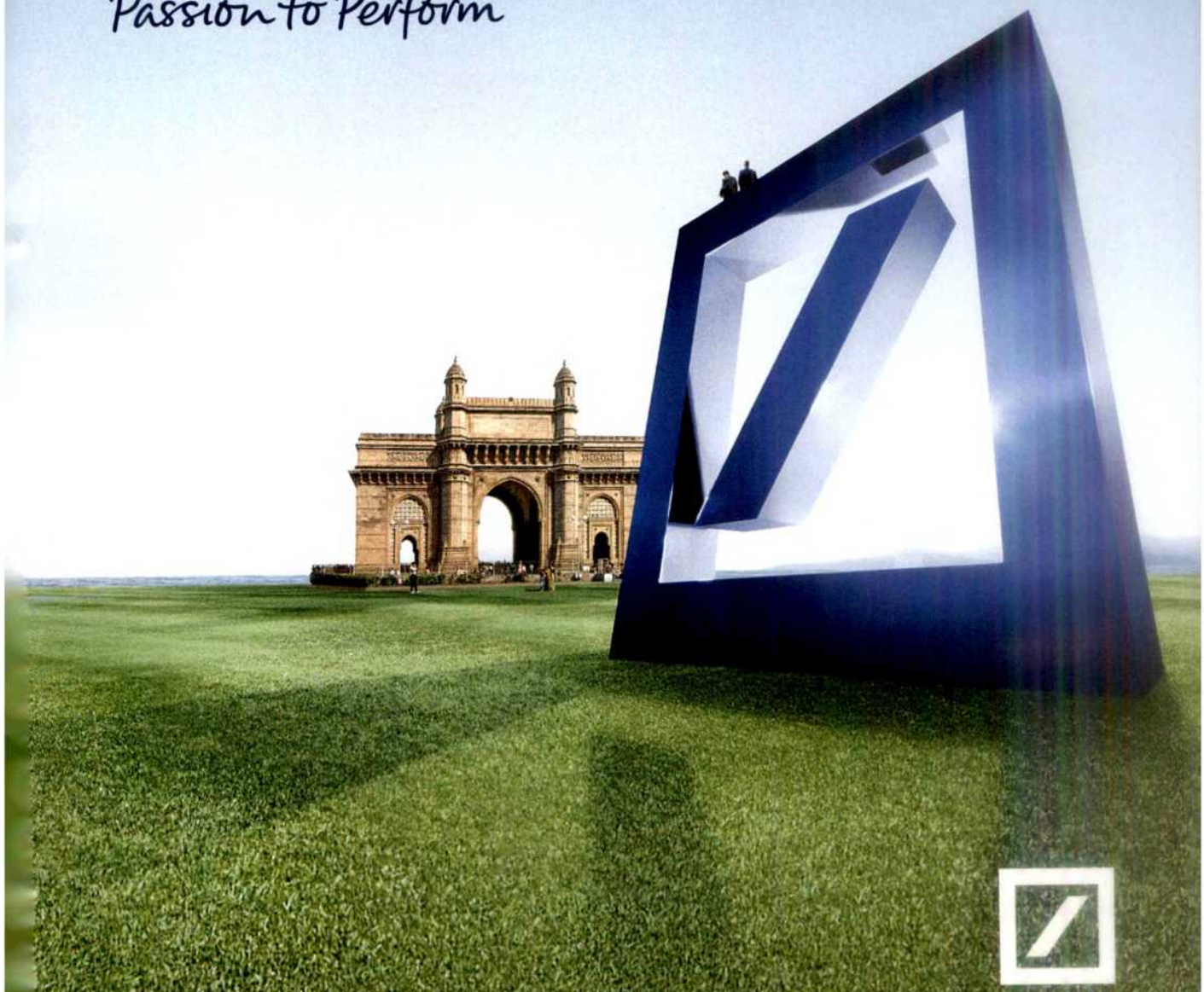

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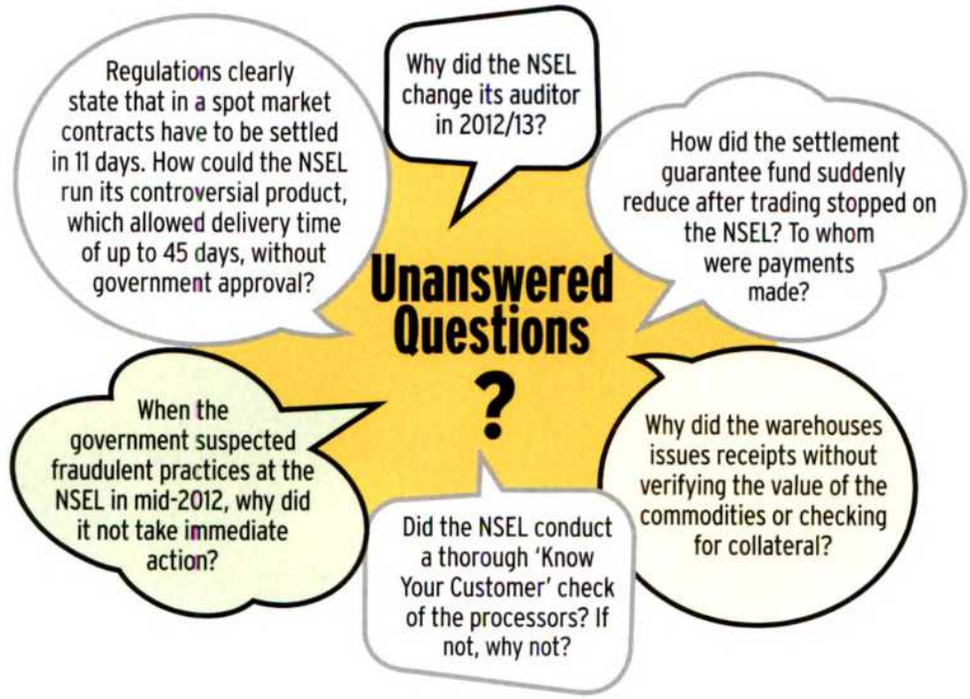

were also verified by the banks. In fact, funds close to ₹800 crore existed in the SGF till July 2013," says Mukesh Shah.

The NSEL last year replaced its previous audit firm SV Ghatalia, a member firm of Ernst & Young Global, with Mukesh P. Shah & Co. There were differences between SV Ghatalia and the NSEL on stock reconciliation and the auditor wasn't willing to sign NSEL's financial statements, according to sources. E&Y officials were not available to comment on the issue.

Separately, the board of the NSEL launched a formal complaint against its former CEO Anjani Sinha and his team with the Economic Offences Wing (EOW) of the Mumbai Police. This is seen as a move by Jignesh Shah to absolve himself of the blame for the crisis. The board has alleged that the earlier management was probably hand in glove with the entities that defaulted on their payment obligations. "The EOW has formed a special investigation team and is collating information from other regulatory agencies, including the Registrar of Companies and the Forward Markets Commission. The Mumbai police wing after its investigation will be filing a first information report," says an exchange official.

The NSEL itself could face criminal proceedings. The Union government is reportedly mulling action against its officials on various charges, including money laundering.

Meanwhile, Shah has hired top lawyers to defend himself if the government initiates action against him, as is widely expected. If it does, the government can attach his personal assets along with those of FT and its subsidiary. "He is ring fencing himself. The case against Sinha and others could be a strategy," says a NSEL lawyer on condition of anonymity. By trying to make Sinha own responsibility for the fiasco at the NSEL, Shah is trying to safeguard his interests. In the worst case scenario, FT can write-off its investments in the NSEL.

Sources say Shah is buying time not only to extricate himself from the NSEL mess, but also to cash in his investments. Some analysts believe FT could sell its controlling 26 per cent stake in the commodity exchange Multi Commodity Exchange (MCX) as well.

However, many are wondering why the government is delaying action in the matter. "The government has been acting and a high level committee is in place. But while Parliament is in session the report will not be out. It doesn't want to give the opposition a chance to pounce," says Churiwala.

But untangling the mess won't be easy. "Investors should get their money. Today, he (Jignesh Shah) has zero willingness and partial ability to pay," says Churiwala. ◆

SHAH IS SEEN TO BE BUYING TIME NOT ONLY TO EXTRICATE HIMSELF FROM THE NSEL MESS, BUT ALSO TO CASH IN HIS INVESTMENTS

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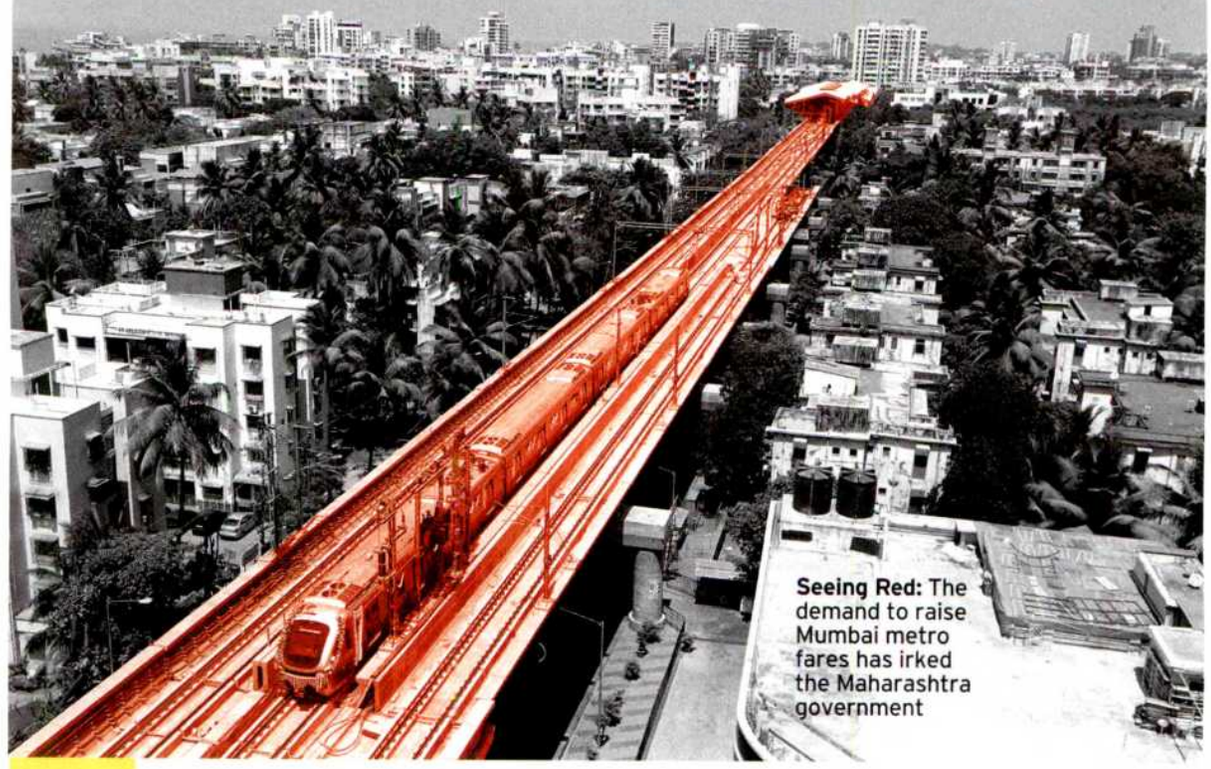
Going off the Rails

Reliance Infrastructure's Mumbai metro is caught up in a dispute over a fare hike even before it starts operations. By SUPROTIP GHOSH



Seeing Red: The demand to raise Mumbai metro fares has irked the Maharashtra government

NISHIKANT GAMRE/www.indiatodayimages.com

Mumbai's Ghatkopar railway station turned into a fish tank on many a rainy day this monsoon season, stopping trains from plying. While torrential rains are common in Mumbai, the station's troubles were man-made. A cascade of water would overflow from the under-construction Ghatkopar Metro station and flood the tracks on the city's busy central line rail network. Not a sight that inspires confidence in the future of Mumbai's transport infrastructure.

The confidence was shaken further in August when the company tasked with building, running and maintaining the metro sought a steep hike in fares even before it started operating the network. Mumbai Metro One Pvt Ltd (MMOPL), majority owned by Reliance Infrastructure, told the Maharashtra government last month that a fare hike was required because the construction cost has jumped 84 per cent from the original estimates due to delays.

Reliance Infrastructure, headed by industrialist Anil Ambani, owns a 69 per cent stake in MMOPL. The Mumbai Metropolitan Region Development Authority (MMRDA) controls 26 per cent while the remainder is held by French transport company Veolia. People familiar with the development say MMOPL has asked for increasing the maximum fare to ₹38. The company, however, says it has sought a maximum fare of ₹33. Still, that is more than a three-fold hike from the current ₹10.

The troubles with the Mumbai metro come barely months after Reliance Infrastructure exited New Delhi's airport metro line, citing disputes with Delhi Metro Rail Corporation. The Mumbai project is the country's first privately built and operated metro railway. The first phase, from Versova in the west to Ghatkopar via Andheri, passes

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FARE UNFAIR

Mumbai Metro One has proposed a steep hike in fares citing higher cost

Original Project Cost ₹2,356 cr

Escalated Cost Demand ₹4,321 cr

Original Maximum Fare ₹10

Revised Maximum Fare ₹38

through 11.4 km of some of the most congested areas in the suburbs. Reliance Infrastructure won the bid for the project in 2007/08. Since then the project has undergone many changes in route, design and planning. It also faced delays in getting regulatory approvals. As a result, the project cost has surged to ₹4,321 crore from ₹2,356 crore estimated initially.

The state government isn't amused. Maharashtra Chief Minister Prithviraj Chavan has said the government might consider taking the project away from Reliance Infrastructure altogether. While that might be the last resort, there are few indications the state government will budge anytime soon.

"They have given us the revised project cost, but they still have to give us the break-up of that cost and the justification of those items," says U.P.S. Madan, Metropolitan Commissioner, MMRDA. He says the agreement between the state government and Mumbai Metro One has clear clauses that limit the scope of a fare hike. Even in the case of a proposed increase, the company will have to furnish detailed reports on why the delays happened and who is responsible. The company has not submitted any such report, says Madan.

Reliance Infrastructure, which also builds highways and power projects, refuses to take the blame. "This project was mired in extremely poor planning by government agencies," a spokesperson for MMOPL said in an email to *Business Today*. MMOPL estimated the construction period and cost based on a project report prepared by Delhi Metro Rail Corporation, it said. In its email, the company provided details of much of the extra work it has done. But, there was little clarity on the amount it spent for the extra work.

Not everyone is convinced by the company's arguments. A Mumbai-based analyst, who didn't want to be named, says Reliance Infrastructure failed to do proper due diligence on the project. It also ordered more rakes than it requires for starting operations, the analyst says. Madan, the metropolitan commissioner, says the company initially estimated its rolling stock cost would be ₹500 crore but is now expecting it to be ₹700 crore. "They can't claim any fare revision for that. That is their miscalculation of market conditions," he says. MMOPL, however, says that, as per the contract executed in 2008, it had estimated ₹500 cr for additional 44 coaches. "This will make metro future proof to handle increase in demand. We have not revised our estimate," it says.

Madan also says that the onus of proving the delays were the government's responsibility lies with Reliance Infrastructure. "The agreement talks about increase in operational costs. Operation has not yet started," he adds. "So, whether that increase in costs can be considered at all, that is the first legal issue."

Analysts say the issue will likely go into lengthy arbitration, and there are few indications how it will pan out. Meanwhile, project cost continues to escalate. Both parties say they are keen to start the Versova-Andheri-Ghatkopar line, probably by December. But while they battle it out, Mumbaikars will be hoping it won't take until next year's monsoons to end. ◆

"THEY HAVE GIVEN US THE REVISED PROJECT COST, BUT THEY STILL HAVE TO GIVE US THE BREAK-UP OF THAT COST AND THE JUSTIFICATION OF THOSE ITEMS"

U.P.S. Madan,
Metropolitan Commissioner, MMRDA

For previous stories on Reliance Infrastructure, go to www.businesstoday.in/archives-sep2913

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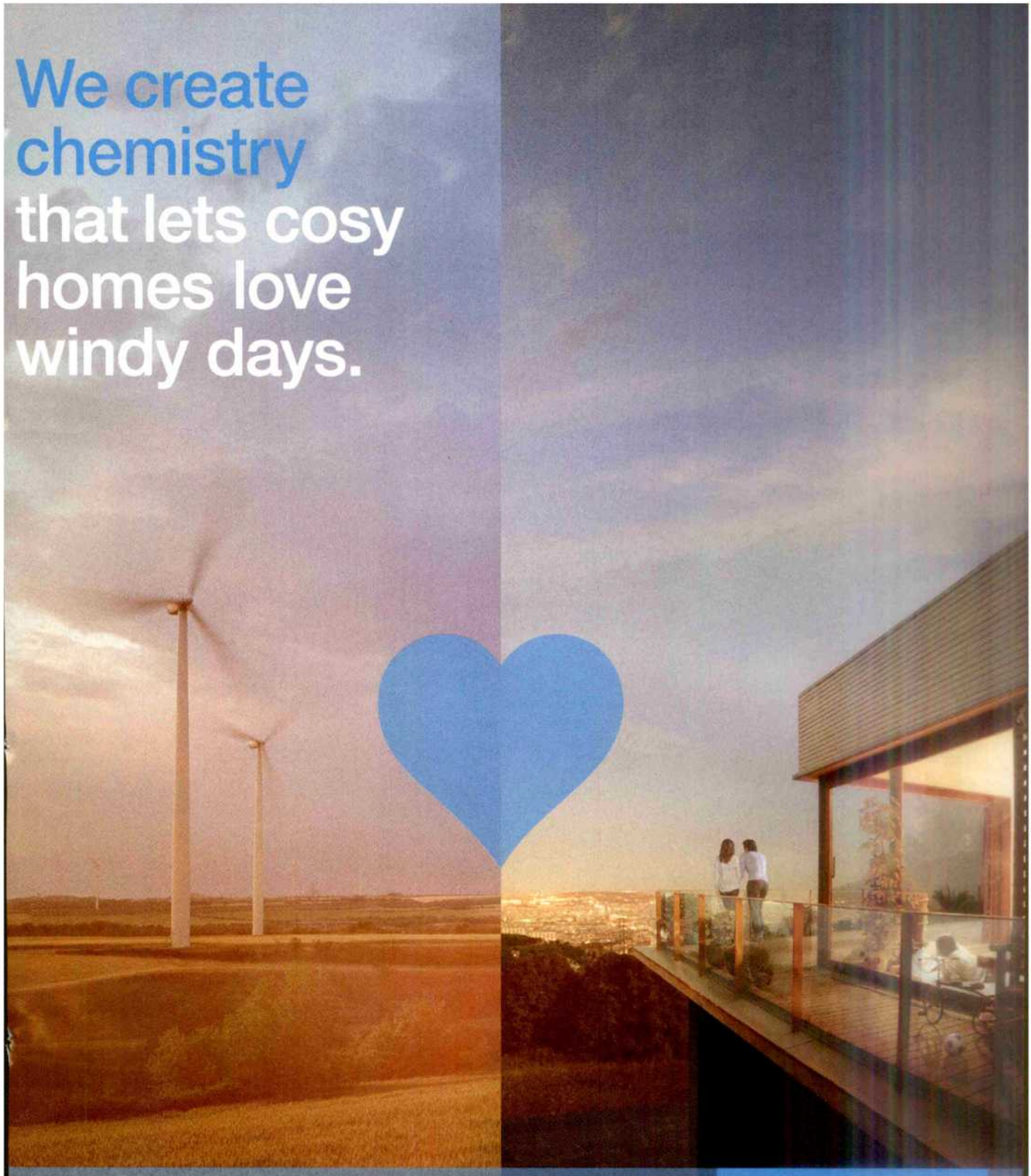

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ON TOP OF THE WORLD

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AJAY BANGA, MasterCard Inc ▶

Pune-born, Indian Institute of Management Ahmedabad alumnus Ajay Banga took over as CEO of US based MasterCard Inc in July 2010. He was earlier CEO of Citigroup Asia Pacific. Banga is based in **New York**

RAKESH KAPOOR ▶
Reckitt Benckiser

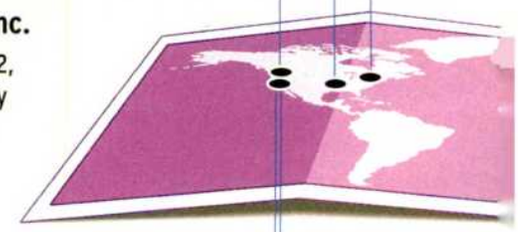
Kapoor became global CEO in September 2011 and is based in **Slough, Berkshire (UK).** He joined Reckitt & Colman in 1987, and served in various roles. After the merger with Benckiser, he was made Senior Vice President, Home Care, before finally taking over the top job

◀ VISHAL SIKKA, SAP AG

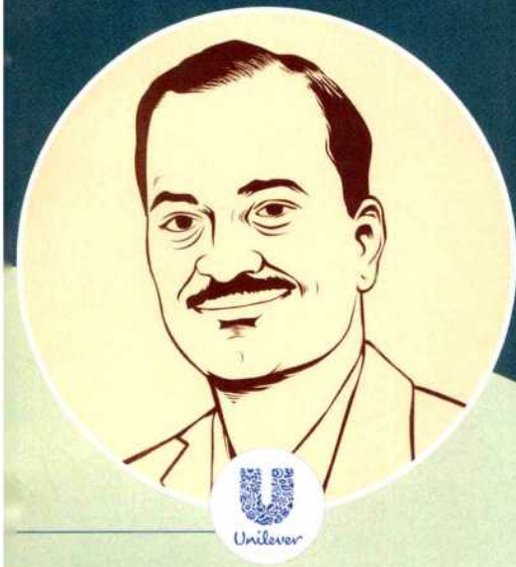
Vadodara-born Vishal Sikka joined SAP in 2002 to head the advanced technology group responsible for strategic innovative projects. Later he was elevated to Senior Vice President of Architecture and Chief Software Architect. In April 2007, he was named SAP's first-ever CTO. He is also the member of the Executive Board. Sikka is based in **Palo Alto, US**

◀ PADMASREE WARRIOR, CISCO Systems Inc.

Cisco's Chief Technology & Strategy Officer since 2012, Padmasree Warrior is in charge of aligning technology development and corporate strategy. She is based in **San Francisco.** An alumnus of IIT Delhi, she was previously CTO at Motorola



The Indian economy may be struggling to retain its global footing, but Indian talent has no such problem. More and more executives of Indian origin are making a mark at the global level in multinational companies. Even software giant Microsoft Corp has an India-born vying for the top job - Satya Nadella, currently heading Microsoft's Cloud and Enterprise group. In the past, the rise of the likes of Indra Nooyi, Chairperson and CEO of PepsiCo, or Vikram Pandit, ex-CEO of Citibank, to top positions made headlines because such instances were rare. Today, it is par for the course. Some examples:



◀ NITIN PARANJPE, Unilever

Paranjpe has been Managing Director and CEO of Hindustan Unilever Ltd since April 2008. He will join the join the Unilever Leadership Executive (ULE) in **London** as President, Home Care, from October 1, 2013. Paranjpe is an alumnus of the Jamnalal Bajaj Institute of Management Studies, Mumbai

◀ ANSHU JAIN, Deutsche Bank

Jain took over as Co-CEO on June 1, 2012 and is based in Frankfurt. He has earlier been a part of Deutsche Bank's Group Executive Committee (GEC) and was also head of Global Markets and joint head of the Corporate and Investment Bank

SAMEER SUNEJA, Perfetti Van Melle (PVM) ▶

Sameer Suneja will take over as the global CEO of PVM, based in **Amsterdam,** from October 1, 2013. He was earlier heading the Indian operations of PVM before being appointed Executive Vice President (innovation and business development) in August 2012 and subsequently transferred to the Netherlands

HARMIT SINGH, Levi Strauss & Co ▶

Singh took over as Executive Vice President and Chief Financial Officer in January this year and is based in **San Francisco.** He is responsible for managing the company's IT and financial functions globally. Before this, he served as CFO of Hyatt Hotels Corporation. Also at Levi Strauss **VARUN BHATIA** was designated Chief Human Resources Officer and Senior Vice President in July 2012

Digestion Pangs

The food security bill has been passed. But implementing it is a formidable challenge. By SHWETA PUNJ

It is time to send out a big message that India can take the responsibility of ensuring food security for all its citizens," said Congress president Sonia Gandhi, as she pushed for the passage of the National Food Security bill in the Lok Sabha at the end of August. The bill, since passed by both houses of Parliament, makes cheap foodgrain a legal right for 67 per cent of India's 1.2 billion people.

But implementing it may not be easy. Critics say the bill is a hurried piece of legislation that rests on an already crumbling programme, the Public Distribution System (PDS), which has failed to provide food security, despite being in place for five decades. They maintain it is a populist move aimed primarily at grabbing votes in the next general election due in May 2014.

The bill is vague on how the new food scheme will overcome the massive corruption plaguing the existing system. Critics also question how the government will identify the beneficiaries. "Who are the poor? Does anyone know how to identify who deserves food subsidy and who doesn't," says Bharat Ramaswami, Professor, Planning Unit, Indian Statistical Institute. "Some 90 per cent of our workforce is in the unorganised sector. There is a better chance of inclusion with 67 per cent coverage, but we don't have the technology for it."

THE TASK

Highlights of the food security bill

67%

of the population to be provided subsidised food

PRIORITY HOUSEHOLDS

Will get **5kg** of grain per person per month

75% of rural population and 50% of urban will get the subsidy

"Aadhaar can be used to remove ghosts and duplicates in the PDS. It can also be used for online authentication of beneficaries"

NANDAN NILEKANI, Chairman, UIDAI

SHEKHAR GHOSH

FOOD BILL

Food subsidy bill will rise from ₹90,000 cr to over ₹130,000 cr

Plugging the existing leakages is an even more formidable task. Under the PDS, a network of fair price shops sells subsidised grain at around five to seven rupees a kg to nearly 45 per cent of the population. However, studies have shown that only about half the allocated foodgrain actually reaches those it is intended for. The bill extends that programme to 67 per cent – or nearly 800 million people – and provides the grain at even cheaper rates. (See *The Task*.) "We are just muddling through," says Ashok Gulati, Chairman of the Commission for Agriculture Costs and Prices.

Food has been a contentious political issue in India for decades. It has always been at the core of various central and state government-run welfare schemes – apart from the PDS, former Prime Minister Indira Gandhi thrived on her promise to provide *Roti, Kapda aur Makaan* (food, clothing and shelter) in the 1970s while the Antyodaya Anna Yojana was launched in December 2000 to provide 35 kg of grain a month to the poorest of the poor households. There have also been judicial interventions. In 2011, the Supreme Court directed the Centre to release five million tonnes of foodgrains for distribution in 150 poverty-stricken districts and other poorer segments. Earlier, a 2009 report by the Justice Wadhwa Committee constituted by the Supreme Court recommended the adoption of modern technology such as smart cards, and said collusion between fair price shop dealers, transporters and politicians was responsible for the leakages. But there has never been a serious effort to reform the system. India was still ranked a low number 15 on the Global Hunger Index in 2011.

Some analysts say technology could reduce the leakages. One suggested way out is to link the scheme to the Aadhaar network, but even that is still lumbering along because of delays related to politics. In October 2011, the Nandan Nilekani-led Unique Identification Authority of India (UIDAI) submitted a report to the food ministry on an information technology strategy for the PDS which recommended setting up a

THE LOGISTICS

Central pool of foodgrains to be maintained by Central government

Centre to transport grain to designated depots in states as per their allocations

States to allocate grain to different regions and arrange delivery to fair price shops

Local authorities to monitor distribution

dedicated PDS network (or PDSN) as a national information utility company with a CEO and shareholders to operate the scheme's IT infrastructure.

The bill does suggest computerisation as a way to plug the leakages and proposes leveraging the Aadhaar data base to identify prospective beneficaries. It also proposes full transparency of records, the introduction of cash transfers and diversification of commodities. "Aadhaar can be used to remove ghosts and duplicates in the PDS. It can also be used for online authentication so that the beneficiaries can take their allocated quota of grain," says Nilekani, Chairman, UIDAI. "There is a realisation that for the benefits to be delivered, the whole thing, including the supply chain and technology needs to be toned up." But the bill does not spell out a time-frame in which to achieve these objectives.

Gulati says it will be take about two years for the Aadhaar network to be completely ready. He believes the new scheme cannot be implemented in the next six months to a year because several contentious issues such as cost-sharing between the centre and states, as well as identification of beneficiaries have still to be resolved. He sums up the other hurdles. "The cost will increase. The present rate at which wheat and rice are being given (under the PDS) hovers between five and seven rupees a kg. This will come down to two or three rupees per kg.

THE HURDLES

Grain disbursement is currently fraught with leakages and theft

Bill does not spell out the implementation framework

Seems no more than an extended public distribution system

Overlooks nutritional aspect – rice, wheat and coarse grain hardly provide complete nutrition

Does not give choice of cereal – grain consumption choices vary across the country

We don't have proper storage capacity. We don't have enough capacity to transport it. Food keeps lying in the fields for years. At present the need will be 62 to 63 million tonnes of grain. What will happen in a drought year? In 2002-2003, foodgrain production dropped by 38 million tonne. Where will you go in such a scenario?" he asks.

Cash transfers, as the bill suggests and many experts too concur, may solve some of the problems. But the government is likely to be hobbled by network and broadband issues as well as the fact that nearly 400,000 villages do not have access to banking. Moreover, the cost of assembling a technology framework, which some experts peg at a few thousand crore, outweighs the benefits. And the government can barely afford to fork out any more for a scheme that is already likely to stretch the state exchequer. Food Minister K.V. Thomas says the bill will cost ₹1 5,000 crore more than what the government spent on the PDS last year, but some opponents of the scheme claim the real cost could be several times more.

But the difficulties may not be insurmountable. The PDS has been successful in some states, such as Chhattisgarh and Tamil Nadu. In Chhattisgarh, about 75 per cent of households receive 35 kg of rice at ₹1 or ₹2 a kg. In Tamil Nadu, the scheme is universal and relatively corruption free. "I have been arguing that this is a great opportunity. We should be open minded about how we deliver it. If Madhya Pradesh has food coupons and Bihar wants to do cash transfers – that should be okay too. Let the states benefit. Let's not wear ideological blinkers," says Ramaswami. ◆

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CHAITANYA KALBAG

Crossing Our River S

Last fortnight's passage of the Food Security and Land Acquisition legislation was a tactical triumph for the ruling coalition. The Opposition had to bite its tongue; it was a clever feint, but the body blows are landing fast and hard on growth and investment, and we are against the ropes, bloodied and dazed. The truth is that those in authority have lost all credibility, and those in business have lost their social contract. Crony capitalism coupled with cruelly capricious decisions has gutted what was not so long ago a raging bull of an economy.

If you go back to the mid-2000s, India was growing very rapidly and the belief of the middle classes and business was that there was a very talented team running the economy, with an economist prime minister and a half-decent finance minister. There was faith that the central bank would keep inflation low and all would be well.

All of that has come to nought. The RBI let inflation get out of control. Relations between the RBI governor and the finance minister were appallingly bad.

Most of us do not seem to grasp the seriousness of the situation. Food price inflation was ignored under the pretext that the benefits of growth needed to spread to rural India. Gorged with high inflows of foreign funds, the government threw money around like a drunkard at a casino. Indians felt they had an inalienable right to grow rapidly, that India was finally getting the growth it deserved. The goal of "spreading" the riches to the mythical *aam aadmi* became a moral and not an economic issue.

India did not recognise the fragility of growth. Prices – chiefly of food – rose and rose inexorably. If inflation is very high, people turn away from money. They stop saving through the financial system and turn to gold. What had almost never happened in any developing economy happened here – as the economy slowed down, there was a blowing out of the current account. Instead of imports slowing, Indians shipped in more and more gold. As the downturn deepened, investments fell and because of inflation, gold. India's current nanced by foreign sav inflows. That was fine rapid. But in 2012 Inc down. This had no United States, or Ben of "tapering". Simply very reluctant to lenc India. The rupee's ex weaken a little over Chidambaram took o restore the credibility here's what happenec

1. The governme Consumer Price Infla

2. Chidambaram's reforms and reduc proved to be a chime policy was badly expc ment passed the Foc meant that it could r budget deficit.

Gold imports will the months ahead. T already been factored will slip even lower. S need to restore credibi big measures, and poli to be able to stand up Security Bill is great b right now. We need t learned a lesson – wh growth, you don't spe

The trouble is tha don't view inflation a as fragile. The result i domestic and foreign, the real economy, hav

The two most im urgent goals now are: keep the budget defici will end up like Zimba

"I would not use 'c same sentence," new c Raghuram Rajan September 4. Yes, bu 'growth' and 'India' b

The trouble is that our policy dinosaurs don't view inflation as a problem or growth as fragile. The result is that investors, both domestic and foreign, who have to deal with the real economy, have lost confidence

mehk | Meetings & Exhibitions Hong Kong

HONG KONG

TOGETHER WITH

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INTRODUCTION TO
HONG KONG
MICE

Kuoni SOTC MICE goes beyond the travel realm when planning Rewards & Recognition / Travel Incentive Programmes for our valued customers with a thorough understanding of client objectives and personalize our recommendation accordingly.

We are a team of over 100 dedicated professionals across India focusing on **Meetings, Incentives, Conferences and Exhibitions** offering innovative solutions to differentiate your travel / event from the rest.

Our customer focused strategy and innovation together with national presence have resulted in over 75,000 happy individuals that travelled with us in the past 3 years on behalf of the most renowned Indian Corporate houses and SMEs across industry verticals and services spectrum.

For Meetings & Incentives, Hong Kong is an excellent reward for a job well done. It offers numerous possibilities for venue, itinerary and team activities to maximize team performance. This melting pot of wonders will revitalize and recharge your incentive winners, motivating them for greater achievements when they return.

One of Hong Kong's advantages for Corporate Meetings / Conferences is having such a wide selection of venues and hotels. The city is also home to some of the world's biggest trade fairs, offering access to suppliers in Mainland China and Asia's busiest manufacturing hubs, as well as showcasing the latest international technology and know-how to the huge Asian markets.

Those hosting Meetings & Incentive events will find that not only does Hong Kong offer an abundance of unique venues, but also incredibly challenging and creative ways for building team morale. With many fascinating cultural attractions swift, reliable transport links to the rest of China and Asia, Hong Kong is a thoroughly rewarding base for genuinely unforgettable 'events within events'.

CONTENTS

MUST SEE IN HONG KONG 1

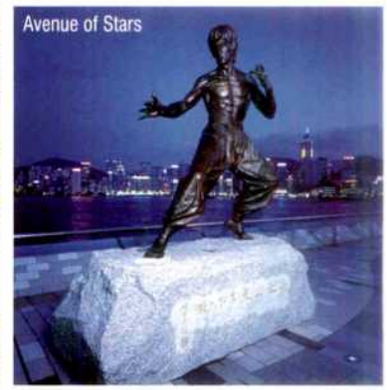
TEAM BUILDING ACTIVITIES 3

SUGGESTED MICE ITINERARY 4

mehk Meetings & Exhibitions Hong Kong

MUST SEE IN HONG KONG

The Peak

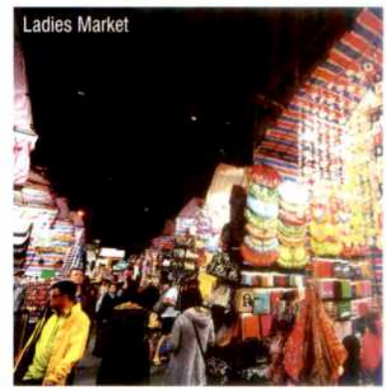

Avenue of Stars

The Peak

The highest point on Hong Kong Island coupled with the view of one of the world's most spectacular cityscapes will leave your incentive group spell – bound - especially The Peak Tram Ride.

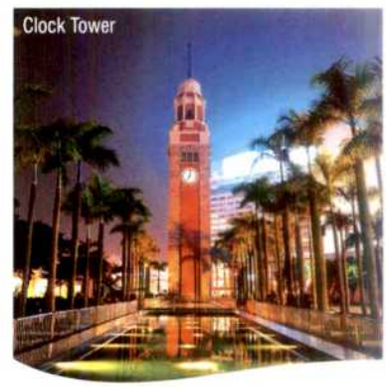
Avenue of Stars

Take the top performer to Avenue of Stars (AOS) and let them be the Hollywood star. Stand on AOS and view your company logo on junk and have a great picture for memory. Visitors would also enjoy a panoramic view of the city's most iconic sight: its glorious skyline.


Ladies Market

Ladies Market & Temple Street Night Market

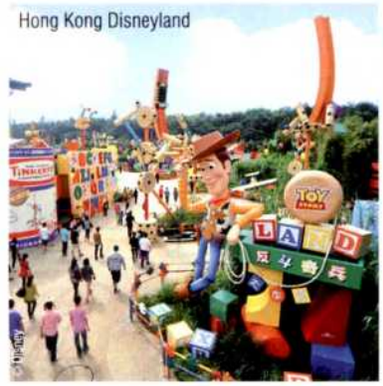
With over 100 stalls of bargain clothing, accessories and souvenirs, both the Ladies' Market and the Temple Street Night Market are a street shoppers paradise. And it's not just the ladies who enjoy shopping!


Clock Tower

Clock Tower

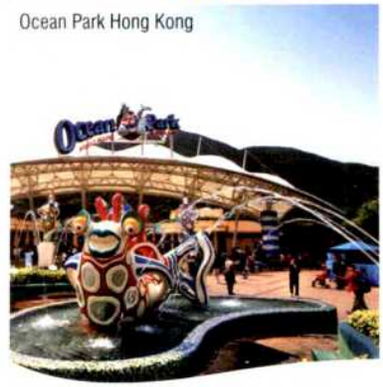
Standing 44-metres tall, the old Clock Tower was erected in 1915 as part of the Kowloon–Canton Railway terminus. The once-bustling station is long gone, but this red brick and granite tower survives as an elegant reminder of the Age of Steam.

MUST SEE IN HONG KONG



Hong Kong Disneyland

Ngong Ping 360 with The Big Buddha and Po Lin Monastery



Ocean Park Hong Kong

Ngong Ping 360 with The Big Buddha and Po Lin Monastery

Ngong Ping 360 is the ideal springboard to exploring Lantau Island. The amazing Crystal Cabin with its glass bottom offers an astonishing bird's eye view of the magical deep blue sea and lush green mountainside underneath your feet. Get some divine intervention for your incentive group. The Po Lin Monastery with its extraordinary Tian Tan Buddha bronze statue (informally known as the Big Buddha) sitting 34 meters high draws pilgrims from all over Asia.

Hong Kong Disneyland

Revive the child in you as you embark on a magical journey through themed lands: Main Street USA, Fantasyland, Adventureland, Tomorrowland, Toy Story land, Grizzly Gulch and Mystic Point at Hong Kong Disneyland. With two Disney-themed hotels and an array of shows relive your childhood as you enjoy a fabulous international buffet with Disney characters.

Ocean Park Hong Kong

Ocean Park Hong Kong is a marine-life theme park featuring animal exhibits, thrill rides and shows. It offers guests a world-class experience that blends entertainment with education and conservation.

mehk Meetings & Exhibitions Hong Kong

TEAM BUILDING ACTIVITIES

Hong Kong is a city that will inspire your incentive winners with its team-building exercises. Activities can be leveraged on its rich and vibrant history or by tapping the spirit and energy of its people. Here are some activities that will help bring your team together and teach them important team skills that improve their overall performance.

The Lion's Pride

The thousand-year-old Chinese custom of lion dancing requires a mastery of co-ordination and teamwork. Your incentive winners will assume different roles: the two halves of the mystical lion, the Happy Buddha orchestrating the dance and the musicians – thus encouraging true teamwork.

Go Treasure Hunting

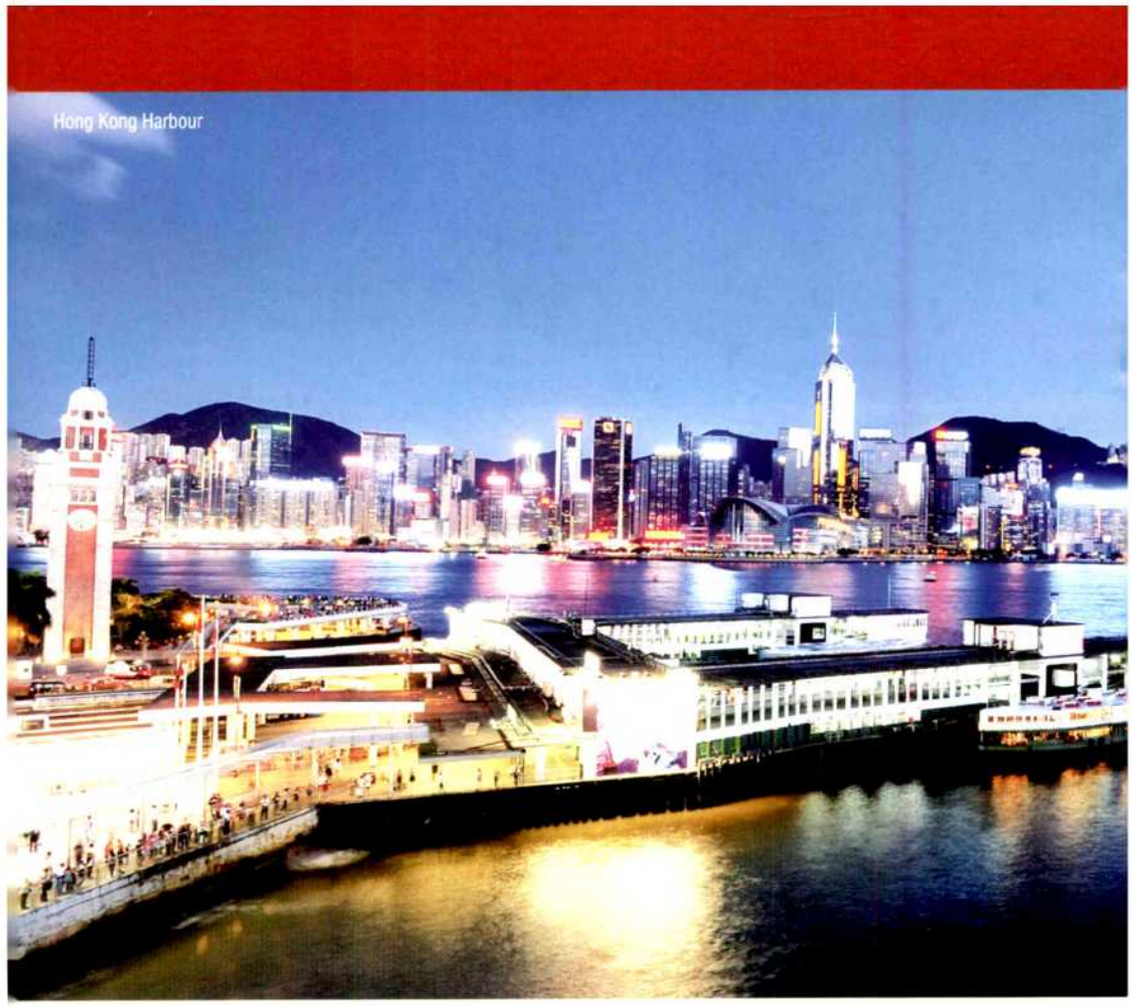
Arm your achievers with clues and a map and then send them around Hong Kong in search of fantastic treasures. This fun-filled activity demands mental agility and co-operation to win the prize.

Racing with Dragons

Dragon boat racing is an international sport that will test your achievers physical and mental limits. Only powerful, perfectly synchronized teamwork can make the dragon soar through the water.

Create Your Own Menu

Give your teams a budget and send them off to charming little fishing villages to buy fresh seafood. Participants will bring back the makings of a feast and a wealth of knowledge about cooking seafood.


Hong Kong Harbour

SUGGESTED MICE ITINERARY

DAY 1: INDIA - HONG KONG

- Arrive into Hong Kong
- Check in to the hotel
- Day at leisure
- Lunch and dinner at an Indian restaurant OR special venue
- Overnight in Hong Kong

DAY 2: HONG KONG

- After breakfast we take you for a City Tour of Hong Kong
- Visit Victoria Peak, Aberdeen and Stanley Market
- Enjoy lunch at an Indian restaurant
- Afternoon is free for shopping
- In the evening enjoy the Symphony of Lights Harbour Cruise
- Enjoy Indian dinner on the cruise OR at the hotel
- Overnight in Hong Kong

DAY 3: LANTAU EXPERIENCE - BEYOND HONG KONG

- After breakfast you have the choice of selecting from a vast selection of tours. (One tour has to be selected for the whole group)
- Take a trip to Disneyland for the whole day OR a half day Dolphin Watching Tour to spot these amazing creatures and dedicate the rest to shopping, you can even take a day trip to China OR take the Lantau Island Tour and see the giant Buddha at Po Lin Monastery where you have lunch made by the monks
- Enjoy lunch
- Day at leisure
- Enjoy Gala dinner with Indian cuisine at the hotel OR a special venue with a DJ
- Overnight in Hong Kong

DAY 4: HONG KONG - INDIA

- After breakfast we check out of the hotel to board the flight back to India, with wonderful memories of a great tour with us

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ROCKSTAR SUCCESSOR

The RBI's priorities may see significant shifts with Raghuram Rajan replacing D. Subbarao as governor.

By ANAND ADHIKARI

Governors of the Reserve Bank of India (RBI) wield enormous power, but their fame is hardly commensurate. Until they actually ascend to that position, their names and faces are hardly familiar to the man on the street. Not so the newly appointed 23rd RBI governor, Raghuram Rajan. Thanks to his 2005 lecture which predicted the global financial crisis that was to hit three years later, followed by his widely admired 2010 book, *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, Rajan, at 50, the youngest ever RBI governor, was already a rockstar economist. The social media networks, in particular, went delirious at his appointment, with some women even commenting approvingly on the 'eye candy' he presented.

Rajan's first official statement, seven pages long, on the day he took office, further consolidated his reputation. There were subtle changes in expression and emphasis from that of his predecessor, outgoing Governor Duvvuri Subbarao, which could herald policy shifts as his term progresses. "Rajan's first statement as governor was a confident articulation of his philosophy about the role of a central bank," says Shikha

NISHIKANT GAMRE/www.indiatodayimages.com

The old order changeth: Raghuram Rajan (left) with Duvvuri Subbarao

For more on D. Subbarao's tenure go to
businesstoday.in/subbarao-legacy

RISING WITH RAJAN

The incoming RBI governor's plans

- New bank licences by January 2014
- Strong banks to be allowed to set up branches anywhere
- Get tough on non performing assets
- Allow retail investors to buy the proposed CPI linked inflation bonds
- Allow banks to convert dollar deposits into rupees
- Reduce banks' G-Sec requirement
- Set higher limit for exporters and importers to rebook forward contracts

SUMMING UP SUBBARAO

Highlights of the outgoing RBI governor's tenure

- Directed banks to declare a minimum lending base rate
- Bought gold from the IMF to diversify forex reserves
- Introduced monetary policy guidance
- Started mid-quarterly reviews of monetary policy

His run-ins with the government

- Refused to issue banking licences unless the Banking Act was amended
- Resisted government move to hive off debt management from the RBI
- Made his reservations about the government's move to set up a financial stability development council public
- Refused to cut interest rates for several months and fought to ensure the RBI's autonomy

Sharma, CEO and Managing Director, Axis Bank Ltd.

Rajan takes over at a very difficult stage in India's economic history – inflation is rising, while both fiscal and current account deficits remain at worrisome levels. The country's gross domestic product growth rate has almost halved in the last three years. The rupee's value has been falling like a stone, while the likelihood of war in Syria threatens to send international oil prices soaring. With the US's quantitative easing to be tapered off in coming months, the pain for emerging markets – as liquidity reduces – is bound to increase. In his first statement, Rajan said the main responsibility of any central bank was to maintain monetary stability – sustain confidence in the value of the nation's currency. "Ultimately this means low and stable expectations of inflation," he added. "We need faster, broad-based, inclusive growth leading to a rapid fall in poverty."

Rajan takes over at a very difficult stage in India's economic history. Excessively high expectations from him may well turn out to be his biggest challenge

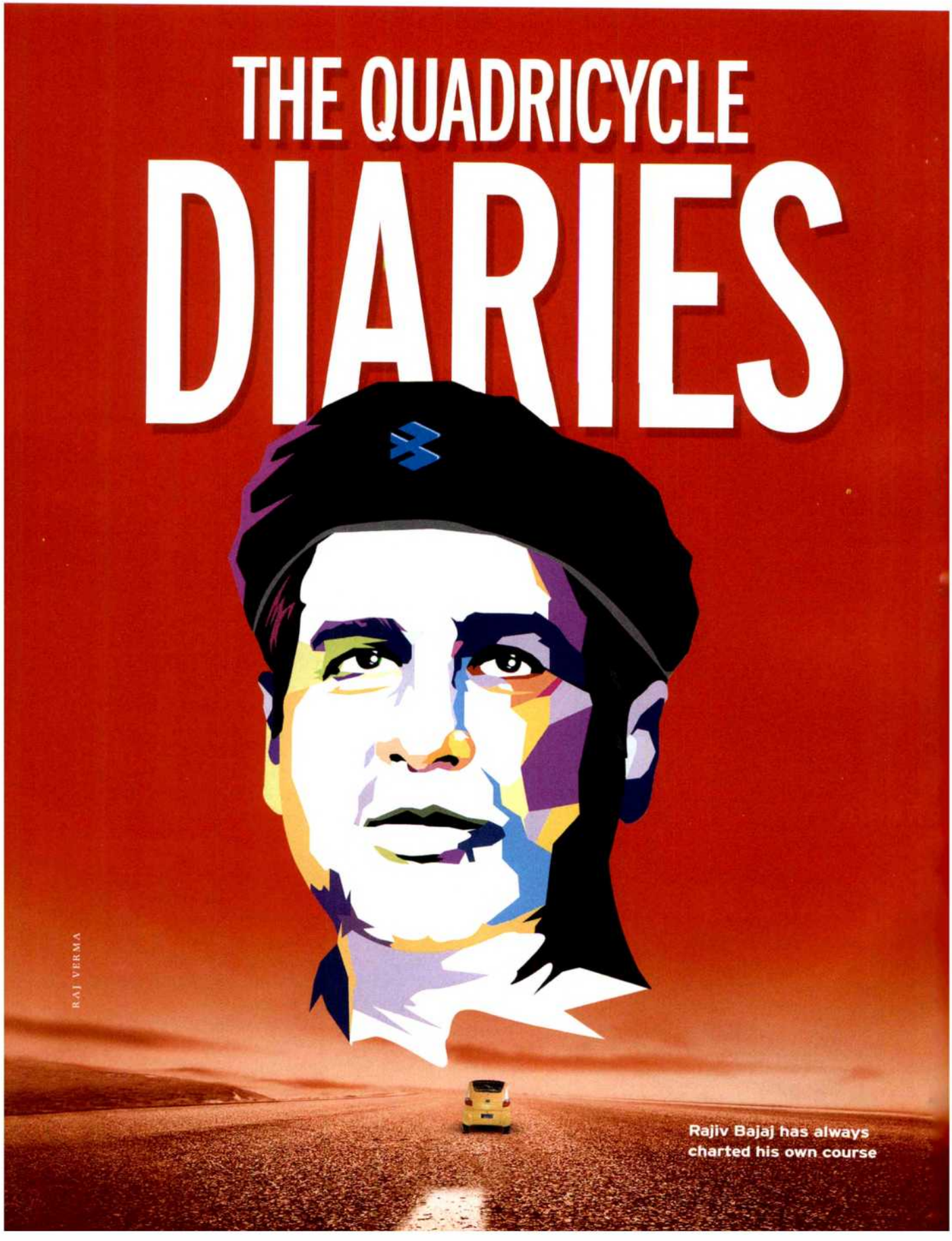
Rajan's initial statement suggests he already has some antidotes to the looming crises up his sleeve, feel economists. "He has come well prepared with an agenda," says V. Vaidyanathan, Chairman and Managing Director of financial services provider, Capital First Ltd, analysing Rajan's statement. "The proposals to remove some of the requirements for branch licences and to allow foreign banks to set up wholly owned subsidiaries and enjoy near local bank benefits are almost as significant as abolishing licences for manufacturing was in 1991." He also appreciated Rajan refraining from being overprotective of the rupee. "Far from protecting the rupee from speculation, he is encouraging trading, which shows he believes it is not local speculators who are pulling down the currency," he adds. "By this logic, the recent short-term rate spike may even be revoked. This is bold and new thinking."

Not that the old thinking, dominated by predecessor Subbarao's determination to keep inflation down, lacked its own logic. In the first part of his tenure, which began in September 2008, barely a fortnight before the apocalyptic Lehman Brothers collapse triggering the global crisis, Subbarao rapidly reduced interest rates in a bid to keep India from catching the global contagion. The repo rate (at which the RBI lends to banks) went down from nine per cent when he started to five per cent in March 2009.

It was only a year later, when inflation rose and remained high, that Subbarao, in a turnaround, began hiking rates. Average wholesale price index inflation was 9.6 per cent through 2010/11. Though he did soften rates later, some felt he left it till too late. Not only Indian industry, but also finance ministers Pranab Mukherjee and P. Chidambaram, voiced impatience with his policies.

"Subbarao will be remembered for his grace under pressure," says Ananda Bhoumik, Senior Director at India Ratings and Research. "Posterity may well judge him kindly." With Rajan, expectations are very high, which could well turn out to be his biggest challenge. "His academic credentials, erudition and practical knowledge of international financial markets will stand us in good stead in the months ahead," says Sampat Kaushal, President and CEO at Dun & Bradstreet. ◆

THE QUADRICYCLE DIARIES



Rajiv Bajaj has always charted his own course

NOBODY LIKES THE QUADRICYCLE. BUT ITS MAKER RAJIV BAJAJ DOESN'T CARE. HE NEVER DID, AS HE BUILT A COMPANY IN DEFIANCE OF WHAT OTHERS, INCLUDING HIS FATHER, THOUGHT.

By Suveen K. Sinha

July 1, 2013

Laughter, disappointment

There is an awkward pause as the next question looms. He has just said that Ratan Tata made a mistake with the Nano. He has reeled off a list of "stupid and meaningless" ideas that management consultants try to sell. And he has accused "the Harvard business schools of the world" of teaching "this rubbish called MBA".

But the interview has already clocked an hour and 22 minutes. The 'story' is in the bag. The question is a calculated risk. With that reassurance, it bursts forth: "Do you have any friends left in the industry?"

The question hangs in the air for a moment. And then Rajiv Bajaj laughs.

It is a genuine, good humoured laugh. It is also a disappointing laugh.

The question was intended to draw juicy – hopefully vitriolic – comments. Bajaj has been generous with those, quick to strike at anyone trying to cross the path of his beloved Bajaj Auto, founded in 1926 by his great grandfather Jamnalal. And God help you if you were to so much as frown at his new baby, the RE60, India's first quadricycle. It is very different from the quadricycles in Europe, which are expensive, low-volume, novelty vehicles made of exotic materials. The RE60, on the other hand, is a tiny vehicle that feels like a well-appointed auto-rickshaw. But right now it is a big deal.

Makers of small cars, especially those that run as taxis, fear the RE60 because it will come with a cheaper price tag, somewhere between the three-wheeler's ₹1.25 lakh and Maruti Suzuki Alto's ₹2.5 lakh. It will also be more fuel efficient, giving 35 kilometres to a litre.

Three-wheeler makers are wary because the RE60 is like a better three-wheeler with doors, a roof, better technology (water-cooled, twin spark plugs, five gears), and is more stable, thanks to the fourth wheel. It emits just 60 grams of carbon dioxide per kilometre, about half the emission of a small car.

Annual domestic three-wheeler sales are about 450,000. There are 70,000 plying on the streets of Delhi alone. Chief Minister Sheila Dikshit, says Bajaj, has often complained to him about the impression they create before the large number of foreign tourists coming into the capital. She would prefer something a little more respectable. If some other states share her preference, Bajaj will be looking at a very busy assembly line at his Aurangabad factory.

January-August, 2013

The Fourth Wheel

The first time Rajiv Bajaj met Karl Slym was at an automotive awards function in New Delhi in January this year. According to Bajaj, Slym, who had come with his wife, walked up to him and said hello. He had just taken charge as Tata Motors' Managing Director. What a nice man, Bajaj thought. The hall was full of industry luminaries but Slym picked Bajaj for his courtesies. It is difficult not to appreciate a gesture like that. For the next few months the two were at each other's throats.

Slym questioned the rationale of the quadricycle on the microblogging site Twitter: "Why? The Govt. + industry have been accelerating efforts in traffic safety & environment, now we consider Quadricycle! Why go backwards?"

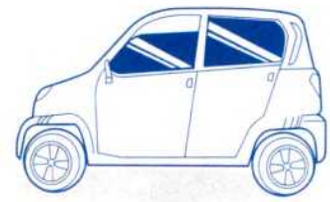
Bajaj's response was swift. The RE60, he told a business daily, was meant to give three-wheeler users the safety of a fourth wheel. "To argue that three-wheeler users should all buy cars instead is to effectively tell people who can't afford bread to eat cake. That approach met with disastrous consequences the last time it was tried."

Slym was echoing the sentiments of Venu Srinivasan, the head of TVS Motor Co., a rival to Bajaj in two- and three-wheelers, and a friend of Bajaj's father Rahul. Srinivasan had raised concerns that the quadricycle will dilute safety and emission norms.

Bajaj's riposte was that since large cars were probably the safest, every other vehicle – cycles, motorcycles, scooters, mopeds, three-wheelers, small cars and medium cars – should be banned.

A little extreme, but with Rajiv Bajaj the middle path does not exist. R.C. Bhargava, the venerable 79-year-old Maruti Chairman and another friend of Bajaj's father, got a taste of it for suggesting that the quadricycle will emit four times more carbon dioxide if tested on the same driving cycle as a car. "If I take Mr Bhargava's Maruti car and put it

THE WORLD ACCORDING TO RAJIV BAJAJ



The RE60

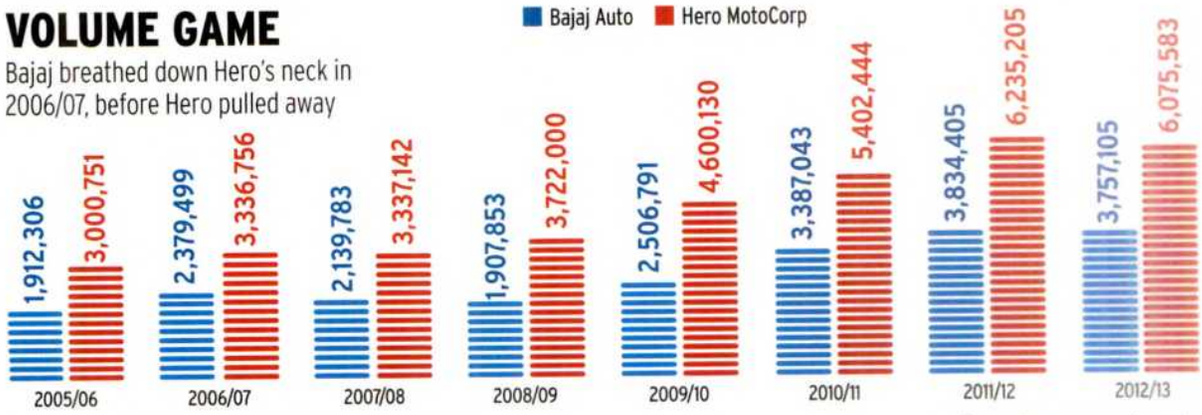
It emits 60 grams of carbon dioxide per kilometre. A small car emits as much as 120 gram. In SIAM, people wanted the quadricycle's maximum speed to be 90 or 100 kmph. I said nothing doing. That is not its purpose. It is a last-mile vehicle for cities. If I make a vehicle that goes that fast it must meet some safety norms. My whole proposition is that it is a light and slow vehicle. My mass is light and speed is low. You would rather be hit by this vehicle than a Mercedes. For the occupants, a Mercedes is safer. But for everyone else mine is a safer vehicle if you take a holistic view of road safety.

Strategy

Gillette's nightmare was that someone will make a cartridge with two blades. So it made one with three. This is the strategy of defence. I, as the world's largest three-wheeler maker, was afraid. What if somebody put a fourth wheel on it? I would be doomed. So I put the fourth wheel myself. I attacked myself, evolved the product, and listened to the brand. Mr [Ratan] Tata tried to do something new [with the Nano]. He tried to bring about change, tried to do disruptive thinking. That is the sexy thing management is supposed to be about. What happened? This is what happens.

VOLUME GAME

Bajaj breathed down Hero's neck in 2006/07, before Hero pulled away



Figures represent the total number of units sold, including exports

Source: Company annual reports

on the car cycle of Europe, where roads are bigger and speeds higher, let's see what emission numbers he gets," says Bajaj.

The divide became clear at a conference call organised by the Society of Indian Automobile Manufacturers (SIAM), the industry lobby, earlier this year. Some participants made loud demands to prevent Bajaj from launching the RE60 anytime soon. Ravi Chopra of Piaggio, which makes three-wheelers, wanted it allowed only after three years, to provide a level playing field for all.

One of the criteria in the definition of the quadricyle is that it should be no heavier than 500 kg. Slym of Tata Motors wanted that raised to 700 kg. For context, the RE60 weighs 397 kg, Tata's Nano 650 kg.

About three weeks after this meeting, TVS's K.N. Radhakrishnan wrote an email to the top executives of Mahindra & Mahindra, Tata Motors, Maruti Suzuki, Toyota Kirloskar, Volkswagen, General Motors, Fiat India, and some others. The email said the minutes of the SIAM teleconference did not reflect the deliberations accurately. "While a passing reference is made to other views, one set of views appears to be

Branding

For us the brand is a position in the market. We compete with the Pulsar as the name of a position: sports bike.

Specialisation

Tendulkar does not play badminton. But Mr [Vijay] Mallya thinks he can fly and drink and do everything at the same time. Big, successful companies in a free market are those that specialise. But specialisation is not just deciding to do only one thing. For us, **strategy = specialisation = sacrifice.**

Marketing

People think, "There is a huge market, I want a slice of that". [Management thinkers] Ries and Trout call it serving the market. The job of marketing is to create markets. For us the simplest definition of marketing is specialisation.

Innovation

Nobody likes change, everyone likes evolution. Innovation is not change. It is how to be the same and yet be different.

R&D

PULSAR'S PROGRESS

Bajaj had tied up with Kawasaki in 1984. But those motorcycles were not very successful. We were not able to harness the full potential of the tie-up. We earned a poor name in the market due to quality issues, from manufacturing to service. Yamaha stood for performance and Hero Honda for fuel economy; we stood for nothing.

Not having an equity partner that provided the technology, such as Honda for Hero, gave us the opportunity to learn. What we got was technical drawings from Kawasaki. The process, the why and the how, and the manufacturing were not transferred completely from Kawasaki. We made mistakes, but we learned.

Today, Hero will not know *why* they do something, they will only know *how*. As long as they are making the same products they will be fine. The day they step out to do something different, it would turn around and bite them. There will be no one to answer their questions.

When we created the Pulsar in 2001, it was a contradiction to a typical 100cc bike. It was the result of a discussion in which the MD said let's do the opposite of what Hero stands for.

It was considered a risk. We had consultants who analysed the business and said Kawasaki had a 175cc engine of the Eliminator that was licensed for production. "Why are you investing in a new platform of engine," they asked. It was expensive technology.

People who saw it early on said the bike looked too big. Some agencies who did the market survey said the size of the tank should

ABRAHAM JOSEPH
R&D whiz

"When we created the Pulsar in 2001, it was considered a risk. But we knew what we were doing. We could sense what was lacking in the market"

given undue prominence." The minutes append a definition of the quadricycle that is very close to the specifications of the RE60.

"To reiterate," summed up Radhakrishnan, "we are strongly opposed to the inclusion of the category of quadricycles in India."

He wouldn't be a happy man. On May 22, the government cleared the use of quadricycles as public transport within city limits. On August 8, the Ministry of Road Transport and Highways issued a draft notification to amend the Central Motor Vehicles Act to include the quadricycle as a vehicle category. It will need a special licence and registration and will bear a prominent Q on the body.

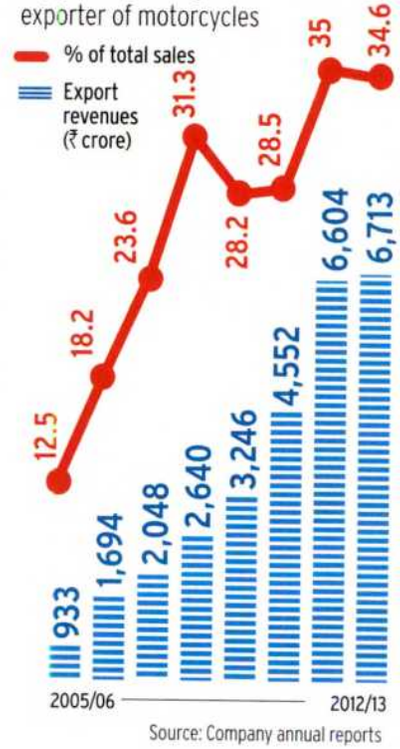
"We are awaiting approval and can start [selling the RE60] immediately or later depending on what specifications are finally approved," says S. Ravikumar, Bajaj Auto's Head of Business Development. If all goes well, Bajaj's baby may hit the roads next year. And if that makes Radhakrishnan and other SIAM members feel shortchanged, they have no one but themselves to blame. They can also blame John F. Wallace.

The idea of a quadricycle was first mooted a decade ago by Slym's current employer, Tata Motors, and Srinivasan's TVS. It was opposed by Bajaj Auto and Maruti. "We opposed it," says Jagdish Khattar, who was the MD of Maruti at that time. Now as the head of Carnation, the multi-brand car sales and service network, he remains opposed. "The government, with the help of experts, should formulate the need and nature of a new vehicle. All manufacturers should have sufficient lead time."

However, the subject polarised SIAM. After lengthy deliberations, Dilip Chenoy, the present head of the National Skill Development Council, who was SIAM's director general at that time, sent two separate proposals to the Transport Ministry, one in favour of the

EXPORT GAMBIT

Bajaj is India's largest exporter of motorcycles



Source: Company annual reports

RACHIT GOSWAMI

be reduced. But we knew what we were doing. We were avid bikers ourselves. The MD rode a M900 Ducati, I had a Yamaha RX100. We could sense what was lacking in the market.

The Eliminator was the last bike we made using Kawasaki technology. It came in 1999. Today it goes by the name of Avenger and uses an engine derived from the Pulsar.

Digital Twin Spark Ignition (DTSI) is the technology we developed to fight the stigma performance bikes suffer from: poor fuel economy. Two spark plugs are used in big cars, which have huge cylinders and big bores. We put two spark plugs in a motorcycle cylinder. DTSI yields 15 per cent more fuel economy and 12 per cent more power.

We have a patent on DTSI, but the more important thing is that in the minds of the people DTSI is Pulsar and Bajaj. If Yamaha does it, it would only endorse us.

As told to Suveen K. Sinha

quadricycle and another against. The ministry sat tight on both.

Years later, when Rajiv Bajaj developed the RE60 and was looking for an alleyway to drive it into the market, SIAM's open stance came to his aid. And also the fact that his quadricycle was meant to be an improvement on the three-wheeler, and not a car-like thing the earlier proposal talked about.

1988-1995

Teacher, table, balcony

Wallace, another person Rajiv Bajaj's detractors can blame, was a consultant Rahul Bajaj engaged in the late 1980s. An elder of the British auto industry, he soon became Bajaj's confidant. That was around the time Rajiv completed his mechanical engineering in Pune and joined his father's company for training. He was the first engineer in the family. His father, uncles, and brother were all commerce students and MBAs.

Rajiv, after completing his training at Bajaj Auto, went to the University of Warwick in the United Kingdom to do Masters in Manufacturing Systems Engineering. Wallace lived nearby. They became close enough for Rajiv to confide in the Englishman that he had no intention of going back to Pune. He wanted to hang around and have fun. But Wallace prevailed upon him to go back. He said it was possible to have fun in Pune.

So Rajiv came back to Bajaj Auto in December 1990. But not for long, it seemed. Rahul Bajaj wanted him to go to Harvard to do his MBA, in keeping with the family tradition. Wallace intervened again, this time with tougher words. Waving a finger in the father's face, he said: "If you send this boy for an MBA, there will not be a company left when he comes back."

Wallace may have dramatised a bit, but only a bit. The unbridled competition ushered into the two-wheeler industry in the middle of the 1980s had begun to take root. Honda, Yamaha and Suzuki were all here. Global products at local prices – what Mahindra & Mahindra faces from Renault today – had already become a part of Bajaj Auto's life. There was still a waiting period of about 18 months for its scooters, but everyone at the company was nervous because the wait used to be 10 years before the Japanese 100cc motorcycles invaded the market.

Bajaj Auto, like the other Indian groups that had enjoyed wild success for decades, had been preoccupied with capacity, licences, and permits. Issues with labour were common. The supply chain was primitive. There was no emphasis on research

RACHIT GOSWAMI/www.indiatodayimages.com

Rajiv Bajaj stopped making scooters in 2010

and development, technology, quality, and productivity.

The stint at Warwick was an eye opener for Rajiv. He spent time at the Massey Ferguson tractor plant and the Honda car factory. He noticed that the equipment and components were laid out in a certain manner. People were multi-skilled. Work flowed smoothly. Quality was idiot-proof. He visited Japan as part of a technology tie-up Bajaj Auto had forged with Kawasaki in 1984 and saw more of efficient manufacturing.

Naturally, the first thing to which he turned his attention at Bajaj Auto was the manufacturing process. Thus, at age 23, he began to teach.

He conducted classes with engineers and supervisors in batches of 20 to 30. He made a 150-page synopsis of his project work at Warwick, on customer-oriented manufacturing, and distributed copies of it among his new students, a large number of them much older than him. The classes were held in the evening. Homework was also involved.

In one such class, when Bajaj asked a question on manufacturing, Abraham Joseph, a year younger to Bajaj at 22, got up to answer it. Half an hour later, Joseph was still talking. A mechanical engineering graduate from the Regional Engineering College, Bhopal, he knew everything Bajaj knew without having gone to Warwick, done masters, or stepped out of the country.

"I knew right then that this guy was a natural," says Rajiv. Joseph, Joe to all, was the first one he identified for his core team for manufacturing excellence. For several years now Joe has been running Bajaj Auto's R&D and "designs everything".

They started with the assembly, the place where all the work done by all the wings of a factory comes together. That

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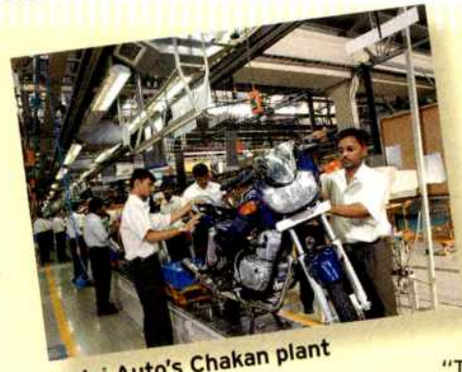
STRUCK DOWN

The well wishers of Indian manufacturing groaned in unison when a strike broke out on June 25 at Bajaj Auto's Chakan plant, near Pune. It would only make the slowdown worse. But they had not reckoned with Rajiv Bajaj.

Bajaj was convinced that the Chakan workers already had a good thing going. They got annual increments and a good jump every three and a half years. Their demand for shares at a heavily discounted price was just not acceptable to a company that does not give shares even to senior management.

After 40 days, Bajaj took the unusual step of giving the workers a week to end the strike. Else, he would shift most of the production out of Chakan to his other plants in Aurangabad and Pant Nagar.

The strike ended a day after the deadline. Union leaders tried to save face with the pretexts of the slowdown and the festival season.



Bajaj Auto's Chakan plant

"The strike was withdrawn unconditionally. After a few days of the strike, we managed to produce about 1,900 Pulsars at Chakan and 1,200 to 1,300 in Aurangabad. So there was no real loss in retail," says S. Ravikumar, Head of Business Development. "I think everyone has understood that when Rajiv says something, there is a high probability he would go ahead and do it."

is where one realises if some parts do not fit, if some others nick the hand, if something is cracked, or if the paint is chipped.

Next to join the fledgling core team was Pradeep Shrivastava, now the Chief Operating Officer. An alumnus of IIT Delhi and IIM Bangalore, he could have been anywhere, but chose to work with Bajaj because he was passionate about manufacturing.

Soon they found D.V. Rangnath, who now heads Materials, Sanjay Saraswat, now the Vice President of Marketing, and Madhav Kini, who is now into business development and specialises in intellectual property.

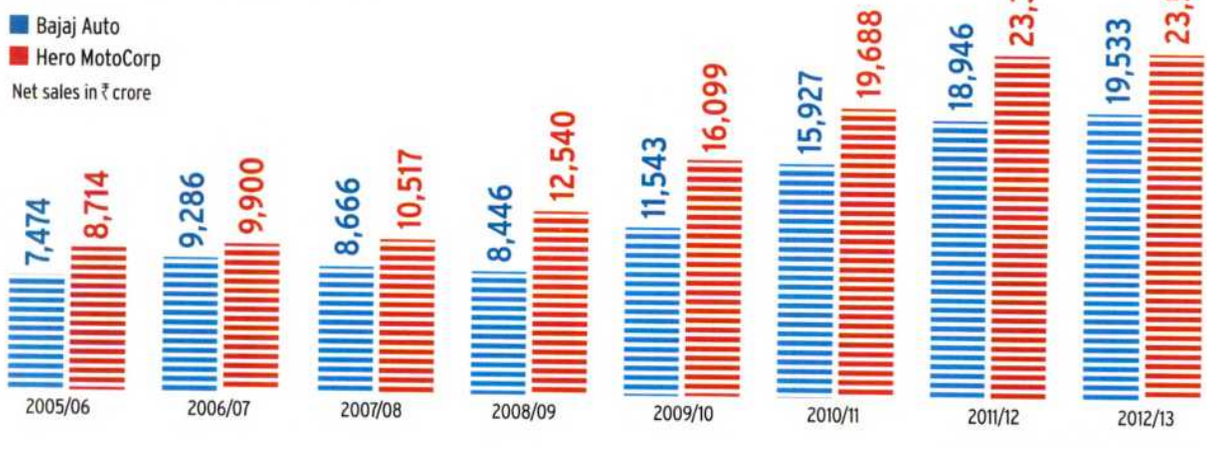
"We all started at the same time. We started at an age when the second name did not matter. We worked together with our own hands. We made a lot of mistakes together. We have nothing to hide from one another. We have seen each other get married, and been at the hospital when someone had a child. We are not a team where I have to call a meeting and espouse some wisdom and people obey," says Rajiv.

He used to regularly play soccer with the workers until an injury a few years ago put an end to it and turned him to yoga. (His Twitter handle is @motorcycleyogi, though it has been inactive for years.)

A lot of the product planning takes place on a slightly wobbly wrought iron table on the balcony attached to Bajaj's office. Another favourite spot is the balcony in Business Development Head Ravikumar's house. A teetotaller,

BOUNCE-BACK

The horror of 2007-09 is behind Bajaj



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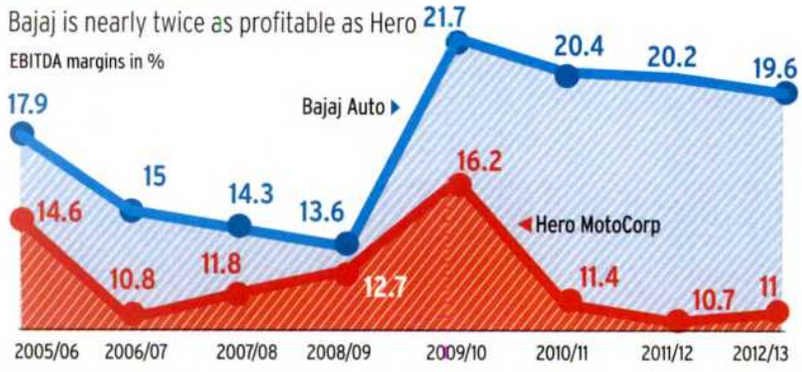
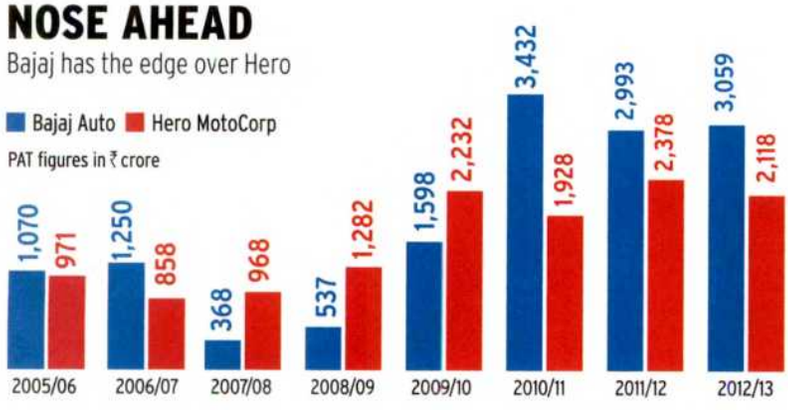
Bajaj is nearly twice as profitable as Hero



NOSE AHEAD

Bajaj has the edge over Hero



Source: Company annual reports

Ravikumar has converted the balcony into a nice bar precisely for such meetings.

"Our beginning was a new beginning for the company. The physical entity of Bajaj Auto existed before. But with us came the end of scooters and start of motorcycles," says Rajiv.

1995-2008

Flying sparks

Having cleaned up the factories between 1990 and 1995, Rajiv and Joe moved to R&D. Joe found his groove there. "Anything he designed was right the first time. Joe never gets it wrong," says Rajiv.

The company had already proved itself to be an outlier by not taking on an equity partner who would feed it technology. Each of its rivals had one. Hero and Kinetic had Honda, TVS had Suzuki, Escorts had Yamaha and LML had Piaggio. Bajaj had Kawasaki, but only as a technology supplier, with no equity.

"Not having an equity partner that provided the technology, such as Honda for Hero, gave us the opportunity to learn. What we got was technical drawings from Kawasaki. The process, the why and the how, and the manufacturing were not transferred completely from Kawasaki. We made mistakes, but we learned," says Joe.

The new plant Rajiv Bajaj built in Chakan, near Pune, is his ode to modern manufacturing. The Akurdi factory, the company's first, had 20 per cent daily wage earners, 80 per cent skilled workers and no engineers on the shop floor. Chakan began with a study in contrast: 80 per cent diploma engineers and 20 per cent skilled workers.

"We used to make a million vehicles a year with 20,000 people. Now we make over four million with 5,000," says Shrivastava, the COO.

By the turn of the century, Bajaj began to become self-reliant in technology. The last motorcycle it built with Kawasaki's technology was the Eliminator in 1999.

Ironically, that was when the company also hit an all-time low. As the manufacturing slowdown engulfed Indian industry, Bajaj Auto's two-wheeler business made a loss in 2000/01, its first ever. "It was a life-changing experience," says Rajiv.

What came to his rescue was the new-found self-reliance in technology. The company launched the Pulsar, a completely home-grown motorcycle, in 2001. It created a new segment, one with high margins, and continues to be a cornerstone of Bajaj's market play.

Two years after its launch, the Pulsar was given two spark plugs, which was unheard of not only in India but anywhere in the world. It was a result of one of those conversations on the wrought iron table on the balcony and solved a big problem of thermodynamics by striking a better balance between thermal and mechanical efficiency. It increased the power and fuel efficiency of the engine, and received a doff of the hat from the venerable Honda of Japan.

"We defended the Pulsar. Had we not put in twin spark, and had Yamaha came with FZ and Honda with Unicorn, as they did, they would have taken away a large part of our market. People forget that Pulsar was already successful. This was insurance," says Rajiv.

Soon TVS brought out its own motorcycle, Flame, which, too, boasted two spark plugs. Sure enough it landed the company in court. As the judiciary takes its time to decide the

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EXPORT

OUT OF AFRICA

Bajaj had been into exports for many years. We closed 2006/07 with ₹1,690 crore in international sales, which was 18 to 19 per cent of the group turnover. Its contribution to the bottom line was less than that.

Since then the international business has more than trebled. We are now in 25 countries and almost 90 per cent of our international business is in countries where we are either No.1 or 2. The international business is worth over ₹6,500 crore, a third of the group's turnover. We have an ambition to go to 50 per cent of the group's top line and bottom line, and clock ₹10,000 crore in turnover.

Rajiv [Bajaj] had made an entrepreneurial play in Nigeria, the largest market in Africa. We were losing money there initially, but wanted to take on the Chinese. In early 2000, Chinese motorcycles got banned in some 300 towns in their home country overnight. All the local manufacturers - and there were many - rushed overseas at marginal cost pricing. This coincided with economic and political stability coming into many African countries like Nigeria, Kenya and Angola, and some countries in Latin America. Public transport in those countries is woeful. We could not compete with the Chinese on price alone, but a combination of improving purchasing power and people's desire for a better product made our proposition more attractive.

Our conviction that we can become the leader in a market with low purchasing power was shaped in Nigeria. In 2005/06 we sold at 20 per cent premium to the Chinese in Nigeria. We had just come in and made losses on every motorcycle sold. Today our premium to the Chinese is almost 50 per cent and we have over 40 per cent of the market in Nigeria. Even Honda, which entered Nigeria two years ago with a low-cost motorcycle, is priced seven to eight per cent lower than us. The Boxer is our main model in Africa. It has evolved a lot. The African market is almost entirely moto-taxis. The Pulsar is the leading model across Latin America, outside Brazil. Two years have passed since Hero announced its international plans.

RAKESH SHARMA
International *khiladi*

"We have seen nothing from Hero to make us worry about them. I am more concerned about the Chinese"

We have not seen much from them to make us worry. The Chinese are still 50 per cent of the markets we address. I am more concerned about how to annihilate them. Things are better now; five years ago the Chinese had 80 per cent of the market.

As told to Suveen K. Sinha

case, Bajaj Auto has begun to put three spark plugs in the Pulsar.

2008-Present Day

Discovery, nalayak

How things change. It appeared for a while in 2006/07 that Bajaj could challenge Hero MotoCorp (Hero Honda back then) in the numbers game. But in September 2008, Lehman Brothers collapsed. So did much of the global financial system. And so did Bajaj's sales.

"What the hell is happening. I thought. We had done everything right," recalls Bajaj. "Then we understood. Either you are lucky, like Hero, with a *mai baap* called Honda to see you through. Otherwise, if Escorts loses Yamaha, or Kinetic loses Honda, it disappears. At this rate Bajaj would disappear one day, I thought. We took a hard look at ourselves. Why will we not fail?"

Why will he not fail?

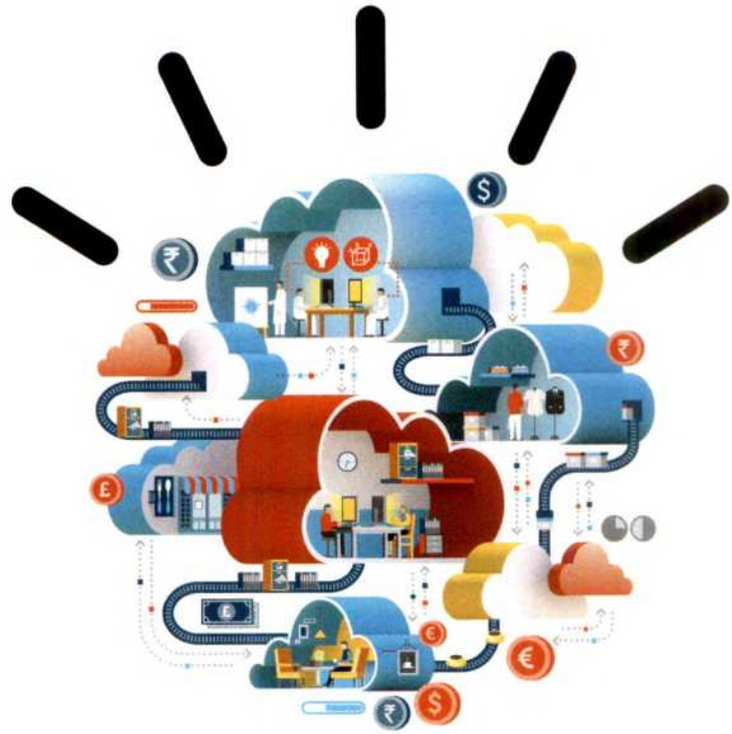
"We realised the meaning of the word strategy."

And what is strategy?

"Pulsar is a complete market leader in sports bikes in India with 50 per cent share. Honda, Yamaha Suzuki, everyone has products there. But they can't do anything. In Indonesia the same products of Honda and Yamaha are there. Pulsar is also there but has only two per cent market share. Products that succeed are good products. But most of the products that do not succeed are also good products. That was when I realised the importance of marketing."

And pray, what is marketing?

"It is all about the first-mover



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Forward-thinking enterprises that link their infrastructures to the cloud can focus on new ideas. When a software provider for hotels, PassportScan, enabled its technology on a public cloud platform, it found it could enter a new market. Last year, PassportScan expected its cloud-platform revenues to double.

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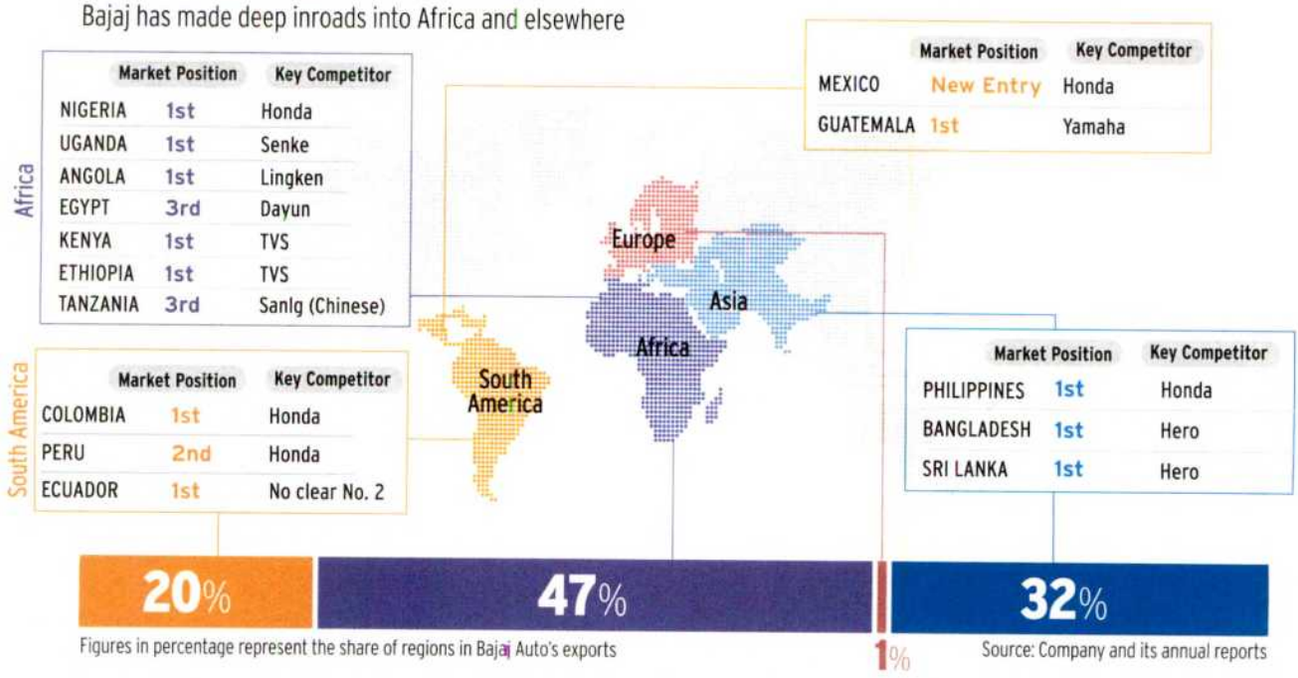
THE LONG ARM OF BAJAJ

Bajaj has made deep inroads into Africa and elsewhere



Figures in percentage represent the share of regions in Bajaj Auto's exports

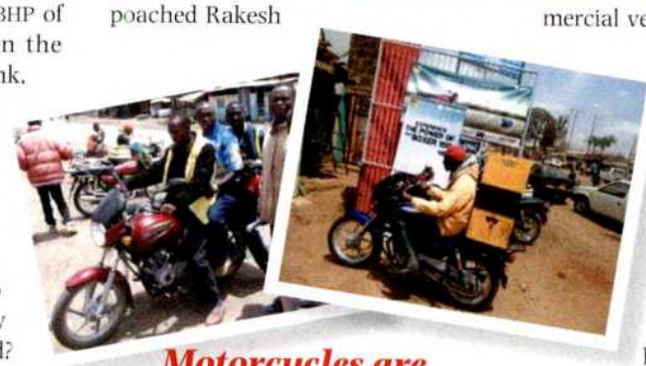
Source: Company and its annual reports

advantage. I was an engineer. I thought if I made a better product, it would sell. If Hero had a bike that gave 80 km to a litre, and I made one that gave 87, it should sell. But in reality no one comes to buy it. This I did not know earlier."

He might not have known it, but was doing some of it anyway. The Pulsar was a power bike at a time everyone was making mileage bikes. It had a 150cc engine, an 18-litre fuel tank, and delivered 12 BHP of peak power at a time when the norm was 100cc, 10-litre tank, and 7 BHP.

In the last five years, Bajaj Auto has launched at least 10 different models of the Pulsar, Discover and Boxer motorcycles, and of its three-wheelers. Each had to go through the test of Bajaj's new realisations: Is it differentiated? Specialised? Unique? Sharp? Is it just better, or actually different? If the answer to all the questions is yes, Bajaj knows he is on track to create a market and not merely serve an existing one. "If you are trying to ape someone, you would only endorse that someone. Every time I made a mileage bike like Hero, people said Hero was right because Bajaj was doing the same thing."

A lot of the new market was created outside India: in Africa, South America and Central America. Bajaj had been into exports for many years and closed 2006/07 with ₹1,690 crore in international sales, which was under 20 per cent of the group turnover. In 2007, it poached Rakesh Sharma, who was in Kuala Lumpur heading British multinational ICI's Asean business, and fashioned a structured approach to exports. "Since then the international business has more than trebled," says Sharma. It is now worth over ₹6,500 crore, a third of the group's turnover (see *Out of Africa*).



Motorcycles are used as taxis and load carriers in Africa. Bajaj's Boxer does the job there

As the gains were made, so were the sacrifices. Bajaj has stayed away from scooterettes, mopeds, light commercial vehicles (which it considered seriously at one time) and has refused to make a 100cc Pulsar. But the biggest of all sacrifices was the scooter, which the company stopped making in early 2010.

That shocked many. Bajaj's grandfather Kamal Nayan had brought the scooter to India and father Rahul nurtured it for decades. The father has still not reconciled to the decision and calls Rajiv a *nalayak* for it. But the son is not to be deterred.

"One of the very few gyans I like

For previous stories on Bajaj Auto, go to www.businesstoday.in/archives-sep2913

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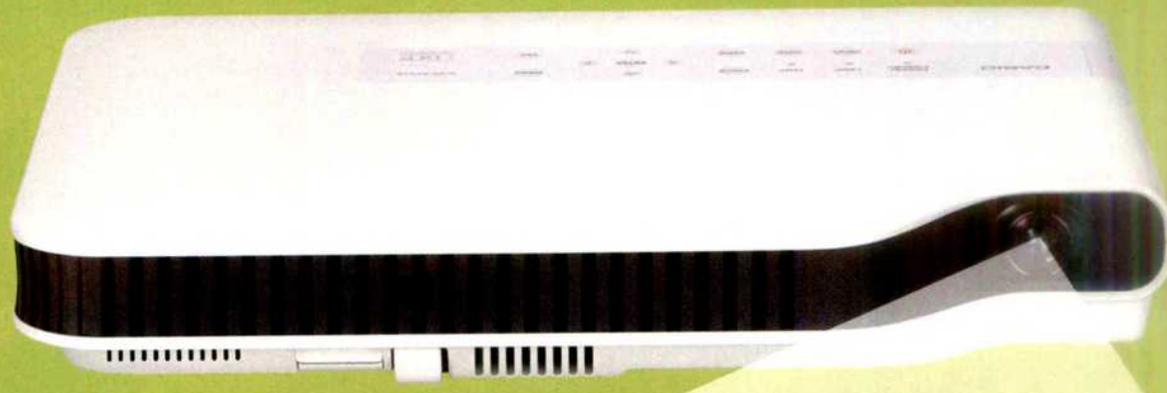

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coming out of a business school is what Michel Porter said, 'the presence of strategy in any organisation is best indicated by what it decides not to do'. So when someone says I do not play any sport except this, it inspires the feeling that he must be a champion in that sport. That is where perception starts."

Rajiv believes that the perception of being a specialist in motorcycles comes when he tells people he does not want to make scooters. The belief is so strong that he is not troubled by Honda Motorcycles & Scooters India overtaking Bajaj Auto to become the second largest two-wheeler maker in India.

"I don't care if everyone – Honda, Yamaha, Suzuki, TVS – everyone overtakes me in two-wheelers. Tomorrow if TVS decides to make cheaper and cheaper mopeds, it might overtake me one day. What matters to me is the focus on motorcycles. Honda should not overtake Bajaj in motorcycles. Nobody should... We have the hope, or the desire, to become the largest motorcycle company. In motorcycles we are still number two. Honda is only half our size."

But how will he get to No.1? True, he is number one in exports, selling about 100,000 motorcycles overseas every month, nearly eight times what Hero does. But in India Hero is more than twice Bajaj's size, selling over 450,000 a month to Bajaj's 200,000 or so. "Somewhere we have to take away 100,000 bikes. If we gain 100,000 and they lose 100,000 and with a little help from Honda on the side, we can challenge Hero's leadership in motorcycles. That will be our attempt through the Discover." Six models of the Discover are being launched this year, with engine capacities ranging from 100 to 125cc.

It has been a long journey from the good old scooter to modern motorcycles. The ultra light car fell by the wayside

But didn't he at one point say that the 100cc was a dead segment and Bajaj Auto was taking its game elsewhere? For all his understanding of strategy, did he misread the market and is now making amends?

Rajiv remembers the day he made that statement – February 20, 2007 – but says it was not how it sounded in media reporting. "I said there was a 100cc market with a clear leader: Hero. So for us the 100cc was dead. I would rather work on something different. We did not want to make just another 100cc bike. I have seen the kind of stuff Suzuki, Yamaha and Honda have done. It is pedestrian. Mathematically we are making a 100cc bike, but it is like a 125cc bike, giving 10.2 BHP because of four valves, twin spark, and five gears. These things are not always easy to communicate in a press conference."

It is also a time when Bajaj Auto can afford to focus on the volume segment. It is the dominant player in three-wheelers with 42 per cent share of the domestic market and 57 per cent of exports. Its spare parts business is expected to touch ₹1,500 crore in revenue, at 30 per cent operating margin, adding ₹500 crore to the bottom line. The Pulsar is the clear leader in sports bikes. And the company is by far the largest exporter of motorcycles. All these are money spinners and have grown Bajaj Auto's share price two and a half times in the last four years. The company's profit margin is about twice Hero's (see *Peerless in Profit*). And the RE60 is ready to roll.

"We have fixed everything else," says Bajaj. "Now we can put the larger part of the resources behind the one segment we did not have the time to address so far. Someone will say better late than never, some will say we left it too late. Time will tell."◆

RESEARCH BY JYOTINDRA DUBEY

READY TO ROLL AND ROCK

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The RE60 has an engine a fourth of the size of the Alto's

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35 KMPL
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BANKING ON GAS

The $5-billion Videocon Group is dipping into its oil and gas assets to tide over its debt, but scaling up new businesses remains a challenge

By ANAND ADHIKARI and MAHESH NAYAK

In 2010, when the 2G telecom spectrum allocation scam hit the headlines and the Videocon Group's mobile licence faced the threat of cancellation, Chairman and Managing Director Venugopal Dhoot quietly landed at Heathrow Airport to negotiate a new business deal. Dhoot was in London to meet senior executives of the $120-billion insurer Liberty Mutual Group.

Liberty was desperately looking for an Indian partner to replace the Dabur Group. The American group's entry into India in 2008 ran into trouble because the Insurance Regulatory and Development Authority objected as the Burmans, who own Dabur, had an equity stake in Universal Sompo General Insurance through a subsidiary. Dhoot saw an opportunity to get into the general insurance business, which is more stable than capital-hungry life insurance. Instead of three days, the meeting lasted all of half an hour, and Videocon agreed to take a 74 per cent stake in the joint venture, which would be called Liberty Videocon General Insurance Co Ltd. It would have the advantages of Videocon's distribution network and brand equity, and Liberty's heritage, expertise and global network.

"Videocon's commitment can be seen from the capital base of ₹350 crore, although new players generally start with ₹100-120 crore," says Liberty Videocon CEO Roopam Asthana, who earlier worked with HSBC and SBI-GE Cards.

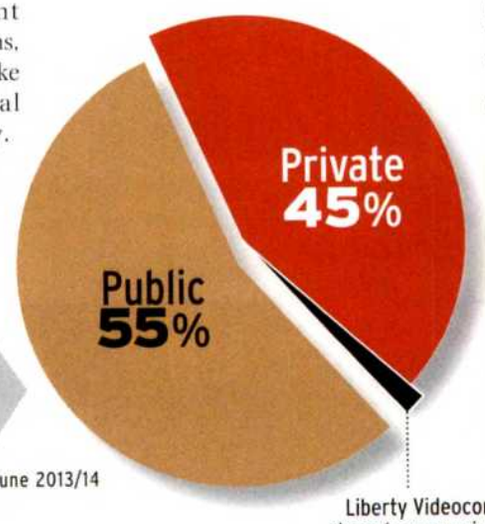
Considering it had never been in financial services, Videocon jumped in at the deep end: it followed up its insurance venture by throwing its hat in the ring for a banking licence in July this year. "We have been studying the financial services businesses for some time," says CMD Dhoot. "We would like to extend the Videocon brand to financial services. We believe the next phase of banking expansion will be in small towns."

The belated entry into financial services is the latest diversification by the consumer electronics and home appliances maker, which also has interests in oil and gas, telecom, direct-to-home television (DTH), mobile handsets and power.

In 1955, Dhoot's father, Nandlal Madhavlal Dhoot, laid the group's foundation by starting a sugar mill. In the early 1980s, he tied up with

New Kid on a Crowded Block

Liberty Videocon is one of 27 players in the general insurance industry



Liberty Videocon's market share (among private players)
0.16%

A ₹70,000-CRORE MARKET, GROWING AT 18-20% A YEAR

% share Gross premium for April-June 2013/14
Source: IRDA

"We will get ₹17,000 crore from the sale of our Mozambique assets, with which we will reduce our domestic debt. The value of our Brazilian oil and gas assets is around ₹68,000 crore"

VENUGOPAL DHOOT, Chairman, Videocon Group

BHASKAR PAUL

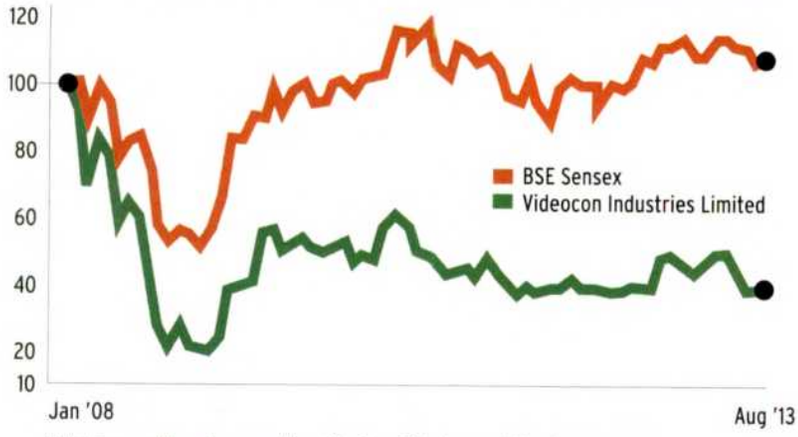
Japan's Toshiba Corporation to launch what he claimed was India's first colour TV. He encouraged sons Venugopal, Rajkumar and Pradeepkumar to get involved in business. When 61-year-old Nandlal died in 1993, Venugopal, in his early forties, was ready to take over. Today at 61 he is the face of the group. His youngest brother, Dubai-based Pradeepkumar, manages oil and gas, while Rajkumar, a Rajya Sabha MP, is Managing Director of Videocon Industries Ltd, the group flagship.

Videocon has not been shy about its diversification attempts. In the early 2000s, its announcement that it would launch a news channel got a lot of publicity, but the venture never saw the light of day. More recently, the group bid unsuccessfully for the Pune franchise of the India Premier League (IPL), and was also among the contenders to acquire another IPL team, the Deccan Chargers.

Consumer electronics and home appliances remain the group's bread and butter, contributing nearly 90 per cent of the turnover of Videocon Industries. Over the years, the Dhoots have invested Videocon Industries's surplus cash in new businesses. Their first successful diversification was in oil and gas in 1994, when they took a 25 per cent stake in the Ravva field in the Krishna-Godavari basin. The next big one was in telecom, but the cancellation of its licence pushed it into a debt trap. In June, the group, under pressure from banks, had to sell part of its oil and gas assets to reduce its debt.

Underperforming Stock

Videocon's share price is around ₹170 now, down from ₹451 in January 2008



Data for month-end, except Aug '13 (Aug 27), base = 100. Source: BSE

which has grown to ₹27,000 crore. It has now re-started its telecom business, in which it has already sunk ₹10,000 crore.

Diversification Blues

The group may have been unafraid to diversify in the past, but today Dhoot sounds cautious. "There is a lot of uncertainty in the economy," he says. "We will not commit to new investments until a clear picture emerges after the general election."

The group's immediate task is to get the telecom business back on track. The licence cancellation in February 2012 was a setback. The company is yet to declare its consolidated accounts for December 2012. The company has released standalone results for the 18 months ending June 2013, with revenues of ₹18,575 crore and a net loss of ₹71.63 crore.

The first red flag went up when India Ratings & Research, part of the global Fitch Group, put Videocon Industries on 'rating watch' in September 2012. "The rating watch was negative because of the company's deteriorating business and financial profiles," the agency noted in its report. Infuriated, the Dhoots went to court, and India Ratings was restrained from publishing its rating action. But two months later, another agency, CARE Ratings, suspended its rating for Videocon Industries, saying the company was not providing the information required by CARE in time for ratings to be updated. In February this year, India Ratings also withdrew its rating due to lack of adequate information.

RACHIT GOSWAMI

"Our ratings are based on hard numbers and not on promises," says a source in one of the two agencies that rated the company, on condition of anonymity. Today, broking firms are silent on Videocon Industries. The last available research report, by Mumbai-based NVS Brokerage, published in December 2012, had a buy recommendation. The stock has since fallen from ₹214 to around ₹170. "The group is conservative in terms of dividends and bonuses and hence has relatively lower valuations," says Avinnash Gorakssakar, Head of Research at financial services firm Miintdirect.com.

Oil to the Rescue

Perhaps it was the pressure of debt, or perhaps the impetus to spur growth in new businesses, that prompted the Dhoots last year to consider selling some oil and gas assets. The decline in profits was making it difficult to raise funds from banks.

In May 2012, the media reported that London-based Cove Energy had sold its 8.5 per cent stake in its Mozambique assets for $2.2 billion. Videocon had a 10 per cent stake, valued at $2.6-3 billion, in the Rovuma block there. In 2013, it contacted Standard Chartered, Credit Suisse and UBS to look for a buyer.

In July this year, the deal went through – ONGC Videsh and Oil India bought out Videocon's stake for ₹17,000 crore. "It was a strategic sale," says an investment banker involved in the deal. "Only part of the proceeds will go to retire debt."

"Videocon's commitment in the general insurance industry can be seen from the capital base of ₹350 crore, although new players generally start with ₹100-120 crore"

ROOPAM ASTHANA, CEO, Liberty Videocon General Insurance

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Dhoot, however, says the entire sale proceeds would go towards reducing domestic debt. The foreign currency loan of ₹8,000 crore will remain.

Diversification into oil and gas in mid-1990s worked well for the group. Selling assets was emotionally difficult for the Dhoots, but they had little choice as bankers refused to fund expansion. Oil and gas contribute just under 10 per cent to group revenues, but asset valuations are high – for instance, the group claims its Brazil assets are worth $15 billion, though there is no credibile valuation report.

The Dhoots plan to demerge oil and gas assets from Videocon Industries and create an independent company. This would let them raise funds through private equity or an IPO for the new company. It doesn't hurt that oil is at over $105 a barrel.

Telecom: Cash Guzzler

The capital-intensive telecom business is the group's biggest challenge. In January, the group re-launched it in a small way. It had spectrum in 21 of the country's 22 telecom circles. Last year, the Supreme Court cancelled its licences (and those of some other operators), calling them illegal. They were awarded during the tenure of former telecom minister A. Raja, an accused in the 2G scam.

Diversification into telecom wasn't easy. Videocon's first attempt, in 1994, was unsuccessful. The second, in late 2000, also ran into trouble. Differences between the Dhoots and their partner, Mahendra Nahata, led to launch delays, which in turn led to Videocon Telecom Ltd CEO Ravi Sharma leaving in October 2008. In February 2010, the Dhoots bought out Nahata's 36 per cent stake to kick-start operations.

Within two months, Videocon started mobile services in the Chennai and Tamil Nadu circles, followed by Punjab, Haryana, Gujarat, Kerala, Madhya Pradesh and Mumbai. By the time its licences were cancelled, it had around eight million subscribers in 16 circles, of which two million were in Mumbai, 1.5 million in Gujarat, a million each in Chennai and Tamil Nadu, and 800,000 in Kerala. Rollouts were planned for other circles, but uncertainty after the 2G scam and eventual licence cancellation tripped those efforts.

"The challenge was to keep the company running during difficult times," says Arvind Bali, CEO of Videocon Telecom. Bali was moved from the group's glass business to the top management team of the telecom subsidiary in 2008. He is as enthusiastic today as he was in 2010. "The good thing that happened to us is the liberalised spectrum," he says. Earlier, the government allocated restrictive spectrum for 2G, CDMA, 3G or 4G. Bali explains: "We can use our spectrum for 2G or 4G or any other G."

More than 45 per cent of new deployment worldwide is on LTE networks in the 1800 MHz frequency band. LTE (Long Term Evolution) is a type of 4G high-speed data network. "We will use part of the spectrum for voice, and part for LTE," says Bali.

In January, Videocon began operations in four circles – Punjab, Haryana, Madhya Pradesh (which includes Chhattisgarh) and Gujarat. Bali expects business in these circles to be on autopilot by October. The next step would be to build the business in Uttar Pradesh (East and West) and Bihar-Jharkhand. The company will then expand services to either eastern or western India or the metros. "We have pan-India ambitions," says Bali. "There is, however, no time-frame for covering all circles."

Analysts are unimpressed. Videocon has 2.5 million subscribers in a business where giants such as Bharti Airtel, Vodafone, RCom and Idea have between 125-200 million subscribers. Shobhit Khare, telecom analyst at Motilal Oswal Securities Ltd, says of Videocon: "They don't have a commercial business presence in most circles. The sector is in consolidation mode. It's a business of scale. You have to have 15-20 per cent market share in a circle to be a meaningful player."

The Saviour

Videocon sold its oil and gas assets in Mozambique – 10% equity interest – for $2.5 bn. Plans are afoot to create a separate company for oil and gas

Country	Oil Field	Participating Interest (%)	Performance/ Valuation
India	Ravva	25	Earns ₹500 cr / yr
Brazil	Espirito Santo	30	Valuation of $15 bn
	Campos	25	
	Sergipe	40	
	Potiiguar	20	
Oman	Block 56	25	No valuation done
East Timor	JPDA 06/103	20	No valuation done
Australia	WA-388P	14	$500-600 mn
Indonesia	Nunukan	12.5	$1 bn

The Brazil block is a 50:50 joint venture between Videocon and Bharat PetroResources, a Bharat Petroleum Corporation subsidiary Source: Company

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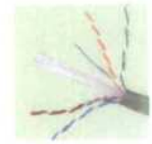

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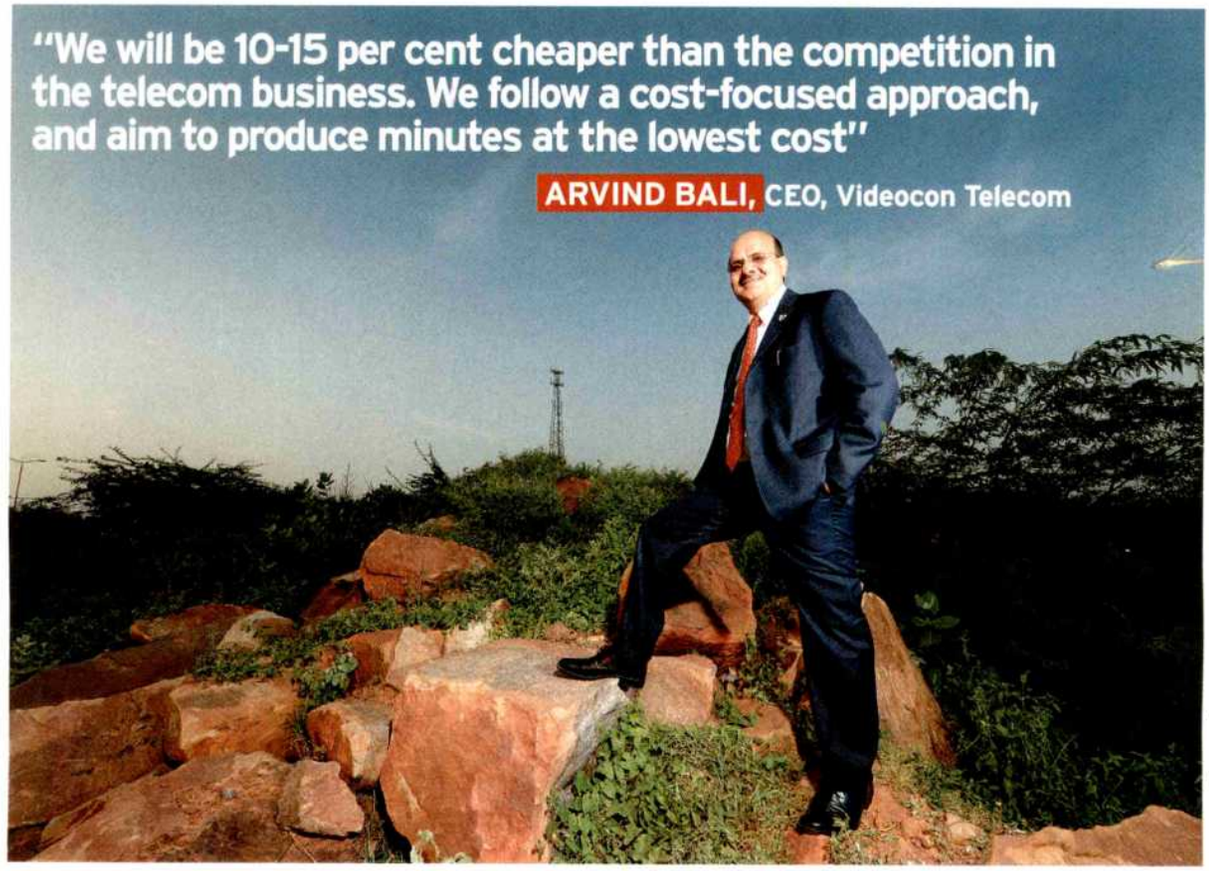


SHEKHAR GHOSH/www.indiatodayimages.com

Some question why Videocon is hanging on in a business with thin margins and intense competition. Recently, in a consultative paper, the Telecom Regulatory Authority of India noted that the industry's EBITDA (earnings before interest, tax, depreciation and amortisation) shrank from ₹43,000 crore in 2007/08 to ₹15,000 crore in 2011/12, while debt grew two-and-a-half times to ₹1.83 lakh crore. Dhoot, however, has his own calculations. "The telecom business takes three years to break even," he says. "We will gradually expand operations."

However, one telecom expert, who does not want to be named, reckons that the Dhoots will remain in telecom till their licence becomes saleable. "The bankers would have hounded them if they had decided to shut the business," he adds.

Bali counters this by saying that Videocon is in for the long haul, and its strengths are distribution and a brand that promises value for money. He says: "Two decades ago, there were 10-15 electronics brands in India. Where are they?"

On Videocon's telecom market strategy, he says: "We will be 10-15 per cent cheaper than the competition." As with consumer electronics, the group is cost-focused in telecom, aiming to offer the cheapest minutes. The strategy will extend to data. "The data business is picking up," says Motilal Oswal's Khare. He says data accounts for over six per cent of overall telecom business, up from four per cent a year ago.

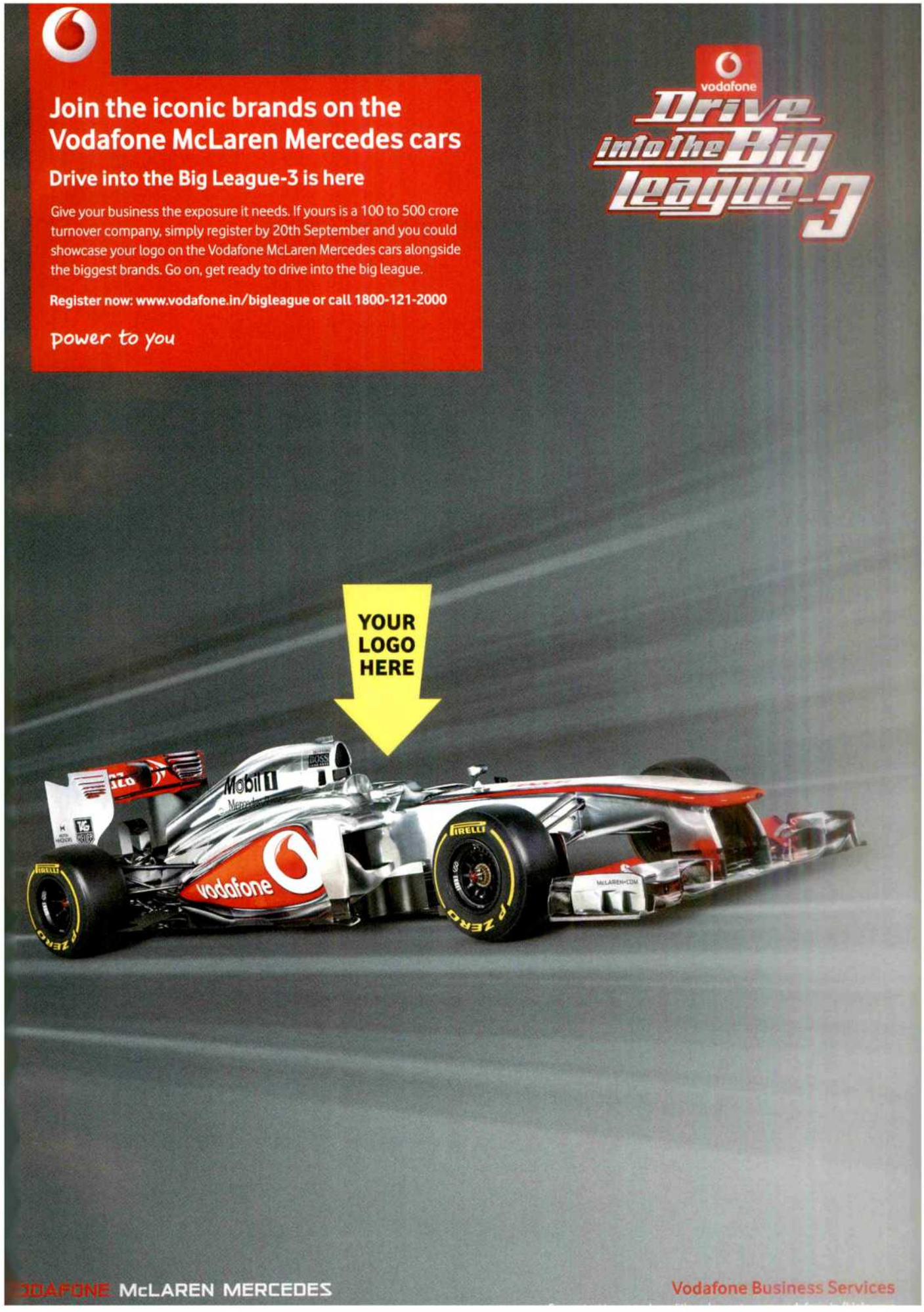
Potential Synergy

Staying on in telecom makes sense, given the Dhoots' two other growing businesses – DTH and mobile handsets. The three are linked, as video-on-demand on smartphones will soon become reality.

The group's mobile handset arm, Videocon Mobile Phones, recently launched a 10-inch tablet in a growing market, where it sold over three million tablets last year. "Mobile handsets is a huge business – 150 million pieces a year," says Dhoot. "We are doing just 10 million pieces."

Over the next year, the group plans to open 500 small-format stores that will sell handsets, mobile services and DTH products. The common Videocon brand will be an advantage, says Bali. "If Videocon sponsors a movie award night or an IPL team such as Mumbai Indians, the telecom, handset, DTH and all other consumer-facing businesses get mileage out of it," he adds.

The DTH business, called Bharat Business Channel Ltd, has grown quickly. Three-and-a-half years ago, Videocon was the new entrant, after Zee's Dish TV, Tata Sky, Airtel TV, Sun Direct and Reliance Big TV established themselves. Today, Videocon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Vodafone Business Services

says it has nine million DTH customers and a market share of over 17 per cent, up from 13 per cent in 2012.

"We expect market share at over 20 per cent by 2017," says Anil Khera, CEO, Bharat Business Channel. Consulting firm KPMG expects the industry to be worth $4.5 billion (₹27,000 crore) then. Khera says Videocon has the industry's lowest customer churn, and the lowest number of late payments.

Besides programming, revenue streams include music, films and advertising. The company achieved operational break-even in the first half of 2012/13. "We expect to achieve cash flow break-even in 2014," says Khera.

In DTH, profitability is driven by scale. Dish TV is making losses even after nearly a decade of operation. Videocon incurs a cost of around ₹1,400 per new subscriber. A quick calculation shows that it will need capital of ₹400-450 crore a year to add three million customers. It does not plan to follow the telecom model of aggressive price cuts to gain market share. "We have learnt that price wars can be damaging and you never build a brand by fighting on price," says Khera, who is focusing on high-definition and digitisation.

Power and Retail Lag

The power business never scaled up as it might have, although Videocon firmed up its plan as far back as the mid-1990s, when it bid for the beleaguered Dabhol Power Corporation. Later entrants, such as the Adani Group, have built capacity of 7,200 MW. However, Adani Power is deep in losses, because of coal shortages and policy issues. In hindsight, the sluggishness of its power business may have saved Videocon some heartburn.

Videocon recently acquired land for its planned 1,200-MW thermal power project in Gujarat, through its subsidiary, Pipavav Energy Pvt Ltd. The group is also building a power project of similar capacity in Chhattisgarh, through its subsidiary, Chhattisgarh Power Ventures Ltd. The industry as a whole has been hit hard by the mining ban and coal shortages.

"We have put the business on hold now," says Dhoot. "There are a lot of issues that the government has to resolve. The policy is not clear." Many credit Dhoot for a timely call to halt the plan. "They were actually negotiating for a power plant and boilers from BHEL," says a power company official on condition of anonymity.

The group's diversification into modern retail in early 2000, through its a multi-brand consumer electronics retail chain, Next Retail, has yet to scale up. The company's website says the chain has 550 stores in 25 states. However, industry insiders say that it has closed many stores. Videocon is unwilling to share numbers.

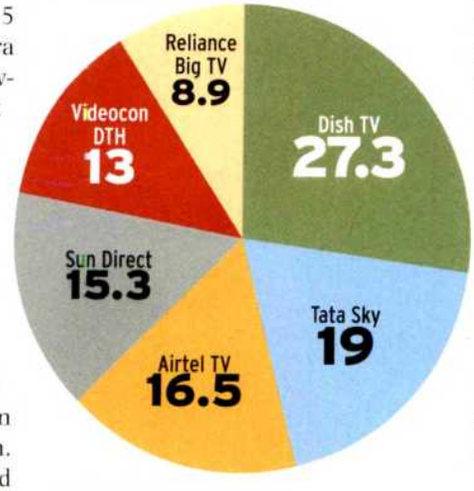
The company recorded revenues at ₹1,228 crore and a net loss of ₹12.23 crore in 2011/12. Sources within the group say the Dhoots are keen to sell a part of the stake in the company. "The talks failed mainly on account of uncertainty over foreign direct investment in multi-brand retail," says a company insider who does not want to be named. Talks to sell a stake in the company were held over the past year with US and European retail chains.

"We are not that successful, but it takes time to develop a retail business," says Dhoot. "We are also waiting for clarity on the FDI policy."

Videocon's new businesses – telecom, power, DTH, retail and financial services – all need continuous capital to become meaningful players in their markets. Its core business – consumer electronics and home appliances – is funding them. But there are challenges, too, in its core business, as the economy slows down. The group needs to hurry up and find other ways to financially support its new ventures – or get ready to sell more oil and gas assets, if the economy does not pick up. ◆

DTH Gaining Traction

The Videocon Group is the sixth and latest entrant in the direct-to-home industry



Share in gross subscribers
Data for September 30, 2012
Sources: MPA Report, IPO document
All figures in per cent

Honey, I Shrunk the Debt

How the Videocon Group's debt will go down in the books

Total debt*	₹27,000 cr
Repayment after Mozambique oil & gas assets sale	₹17,000 cr
Net debt on the books	₹10,000 cr

*Includes foreign debt of ₹8,000 crore Source: Company

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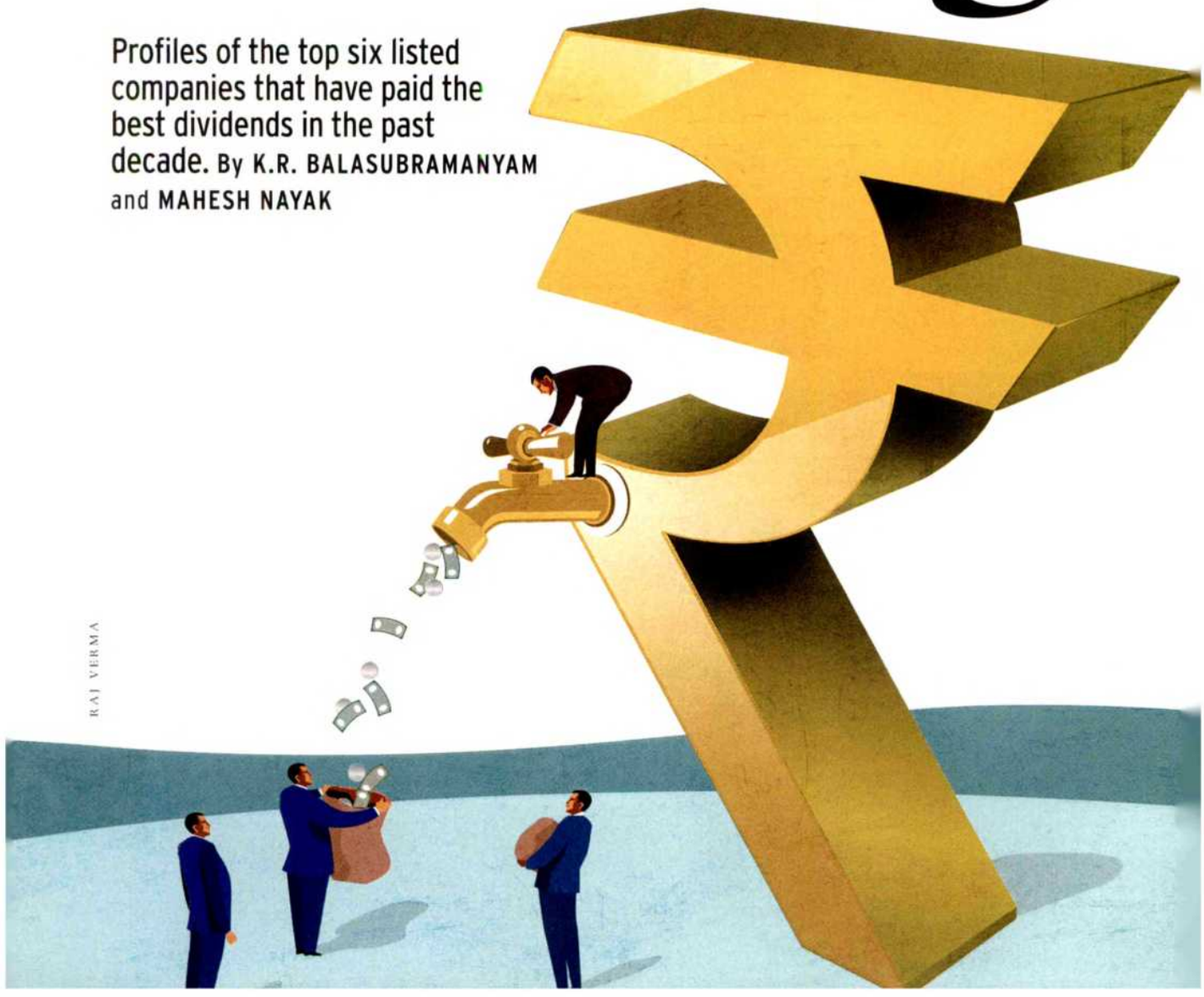
Caring and Sharing

Profiles of the top six listed companies that have paid the best dividends in the past decade. By K.R. BALASUBRAMANYAM and MAHESH NAYAK



RAJ VERMA

Ask the average Indian about the best investment in the country and chances are he will say real estate or gold. Traditionally, Indians have never rushed to jam the "buy" button in stock markets – and with good reason. Indian markets are highly volatile, and although the country's main index, the Bombay Stock Exchange (BSE), has more than trebled in the past decade, dividend payouts by companies are nowhere near as impressive.

A *Business Today* study of more than 6,000 stocks came up with a startling finding: only six of these companies have paid dividends of more than 30 per cent of their net profit in the past decade, as well as outperformed the benchmark index for eight of those 10 years. The six that made the list – Colgate-Palmolive, Hawkins Cookers, Emami, Eicher, HDFC and GRUH Finance – are all high-growth companies. And they have been liberal with dividend payouts.

Research shows one-fifth of the BSE 500 Index companies share more than 30 per cent of their profits with investors. But that still masks another truth: Indian companies are, in general, far from generous in paying dividends to shareholders. Not surprisingly, dividend-rich companies are a huge draw with investors. Our study showed companies that have paid over 30 per cent dividends accounted for 41 per cent of the market capitalisation in the last financial year compared with 27 per cent in 2008/09.

Perhaps the Indian government could take a cue from Brazil and Chile, which have made it mandatory to pay dividends to shareholders. Compulsory dividends could draw risk-averse domestic investors back into the equity market – and thereby also help cash-strapped companies in the country raise money for business.

Sharing Generously

Percentage of net profit the top six dividend payers shelled out

Company	FY 2010	FY 2011	FY 2012	FY 2013
Colgate-Palmolive (India) Ltd	64.26	74.32	76.15	76.70
Hawkins Cookers Ltd	57.41	66.57	70.31	62.03
Emami Ltd	71.69	42.23	78.24	37.40
Eicher Motors Ltd*	49.64	39.28	34.68	37.30
HDFC Ltd	36.39	37.77	39.43	39.95
GRUH Finance Ltd	32.73	42.36	37.41	30.77

*Financial year is December ending

Source: CMIE Prowess

Making Investors Smile

PORTRAITS BY SANTOSH

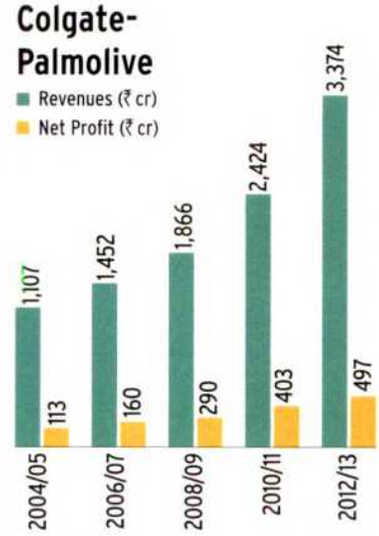
Colgate-Palmolive (India) Ltd
MD: Prabha Parameswaran
MARKET CAP: **₹16,665 cr#**

Colgate-Palmolive's stock may be underperforming its peers with competition nipping at its heels, but analysts are not worried. The company is still the top oral care brand in India with 55 per cent market share since 1998 – and doesn't look like it is going to lose the top spot any time soon. "When a new player enters the market, it is for him to prove his ability to survive and grow, and not the leader," says Nikhil Vora, Managing Director and Head of Research at IDFC Securities, who has a "buy" recommendation on the stock. "I will not be worried for Colgate, as it's not only growing consistently but has also been scaling the business without increasing the size of its balance sheet."

Shareholders certainly have a big smile on their faces. Colgate has a strong track record of delivering value with consistent growth: net sales have grown at an annual rate of 16 per cent for the past five years, earnings per share are up at an annual 19 per cent over the past 10 years and dividend per share has risen at an annual rate of 21 per cent in the last decade.

That is not the only reason investors are in clover. Since its initial public offering in 1978, Colgate has given its shareholders a compound annual return of 27 per cent. So, if someone invested ₹1,000 at ₹126.8 per share 10 years ago, his investment, including dividends, would be up more than 10 times to nearly ₹13,000 today with the share price now above ₹1,200. "The reason the company has been able to deliver is because of its use of technology to create products that continue to improve the quality of life for our consumers wherever they live," says a company spokesman.

Analysts are optimistic about Colgate's future. The company has held its own even after consumer goods giant Hindustan Unilever (HUL) entered the market with the Pepsodent brand. "Colgate's strong growth doesn't require it to alter the way it does business despite new entrants in the market," says Vora. "With per capita consumption expected to increase, the next five to seven years' business looks good for the company." Shareholders certainly won't stop smiling at that.



Under No Pressure

Hawkins Cookers Ltd
Vice-Chairman & CEO: Subhadip Dutta Choudhury
MARKET CAP: **₹892 cr#**

When 45-year-old Subhadip Dutta Choudhury took charge as Executive Director-Marketing, Hawkins Cookers (Hawkins), in 2004, he had to buy a certain number of company shares at ₹18 each. "There is a rule in the company that all executive directors have to be shareholders of the company before joining the board," says Dutta Choudhury, now Vice Chairman and CEO of the company.

Today, Dutta Choudhury could well be sitting on a gold mine: Hawkins shares are trading around ₹1,700. "When I invested at ₹18, the company used to give a dividend of one rupee. Today, we give a dividend of ₹50 per share," he says.

Hawkins is India's leading pressure cooker maker and its impressive performance is one reason why it

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Subhadip Dutta Choudhury

has been able to share good dividends with its shareholders. The company's net profit has leapt from ₹1 crore to ₹34 crore in the past 10 years, while revenues have shot up from ₹115 crore in 2003/2004 to ₹425 crore in 2012/13. Its stock has beaten the Sensex eight times in the past 10 years, while the average dividend payout in the past five financial years stands at a hefty 62 per cent.

So, what prompts the company to pay such liberal dividends year after year? "There is no policy per se on giving dividends. We keep aside whatever we require for investment and for a rainy day, and the rest we distribute among our shareholders," says Dutta Choudhury. He gives most of the credit for Hawkins's success to its consumers and the company's after sales service. "We have grown with the Indian consumer. Our secret is that we are honest with the consumer in terms of quality, pricing, features and even in our advertisements. Our products are value for money," he says

Dutta Choudhury knows Hawkins' products are priced more steeply than those of other local brands. But he says the company's quality control is head and shoulders above the competition. Hawkins has never recalled any product from the market due to quality issues. "There have been instances where a product has failed 100 times internally. But we rectified this before we put it on the market. Due to our rigorous testing mechanism, we have no recalls," he says. The company controls around 25 per cent of the pressure cooker market and around 11 per cent of the market in cookware.

Some fund managers, however, feel the company is not tapping its full potential. They say it is not leveraging the Hawkins brand effectively in the cookware segment. But given its dividend payout record, shareholders are unlikely to be too worried.

Hawkins Cookers

Fair & Handsome Payouts

Emami Ltd
CEO, Finance: Naresh H. Bhansali
MARKET CAP: **₹9,265 cr#**

When Kolkata-based consumer goods giant Emami Ltd had a public offer of five million shares at a price of ₹70 per share in 2005, investors reached out at lightning speed. The stock was oversubscribed 36 times. Today, the share has crossed ₹400, delivering more than 15 times returns to those who invested in the IPO.

The stock's mindboggling rise isn't the only reason Emami shareholders are smiling. The company has also paid phenomenal dividends over the years. With its stock outperforming the Sensex nine times in the past 10 years, Emami has paid an average dividend of 55 per cent of net profit in the last five years.

The Emami brand was born in the mid-1970s when childhood friends R.S. Agarwal and R.S. Goenka left high-profile jobs to start their own business. Today, the company sells more than 250 consumer brands. Five of them – Navratna Oil,

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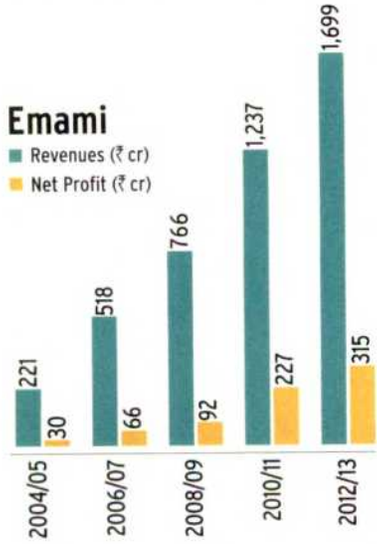
Boroplus cream, Mentho Plus, Zandu Balm, and Fair & Handsome – account for 72 per cent of its revenues. "It has been our policy to give away surplus profits to shareholders," says Naresh H. Bhansali, CEO, Finance, Strategy and Business Development. "Even after paying such huge dividends, we have ₹300 crore on our balance sheet to use for any acquisition opportunity."

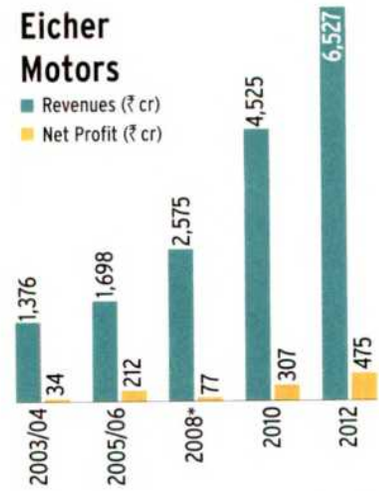
Emami is doing well because of its strategy of launching niche products in segments where multinational corporations have no presence, says Aniruddha Joshi, analyst at Anand Rathi Institutional Research. He believes the company's power brands are likely to grow at more than 15 per cent a year between 2012/13 and 2014/15.

Consumer goods companies are generally known to pay big dividends because they are not capital-intensive. But they spend a good chunk of their revenues on research and development, branding and distribution. Despite such investments, Emami's cash flows have been good because it is an established brand. "An FMCG company uses its surplus cash to either pay dividends or for acquisitions. Our policy is to reward shareholders," says Bhansali.



In Top Gear

Eicher Motors Ltd
MD: Siddhartha Lal
MARKET CAP: **₹8,626 cr#**



* Annualised (Reporting period changed from March ending to December ending)

It makes one of the most iconic motorcycle brands in India: the Royal Enfield which has been in the market since 1901. And it has a joint venture with Volvo for commercial vehicles which has done well. The combination of bike and commercial vehicles has put Eicher Motors on a high growth path and helping it emerge as one of the top dividend paymasters in India.

Eicher has paid an average dividend of 39 per cent of net profit in the last five years while the stock has beaten the Sensex eight times in 10 years. "The demand for our motorcycles has continued to outpace supply," says Siddhartha Lal, Managing Director and CEO, Eicher Motors. "Our second phase of expansion will increase production capacity to 250,000 motorcycles in 2014."

Analysts, too, are optimistic because of the company's financial record. Eicher's stock has been hovering around ₹3,300 and has held its own despite a slump in the commercial vehicles market. It has more than doubled from around ₹1,300 two years ago – and analysts don't expect it to go into reverse gear soon. "Once the recovery starts, Eicher will grow at a faster pace. The new Enfield production facility in Tamil Nadu will reduce the waiting period, and add to revenues," says Rohan Korde, analyst with Anand Rathi Research.

Eicher is run by Lal's family and relatives who own a 55 per cent stake. "We are pursuing all our plans, investing in every aspect of commercial vehicles - building infrastructure and creating a robust pipeline of products that will be launched starting this year," says Lal.

Standing Tall

HDFC Ltd
VC & CEO: Keki Mistry
MARKET CAP: **₹108,097 cr#**

It's the darling of both shareholders and foreign institutional investors (FIIs). And it isn't hard to understand why. HDFC Ltd, India's largest housing finance company, has grown at a spectacular pace in the past 10 years. Its revenue has

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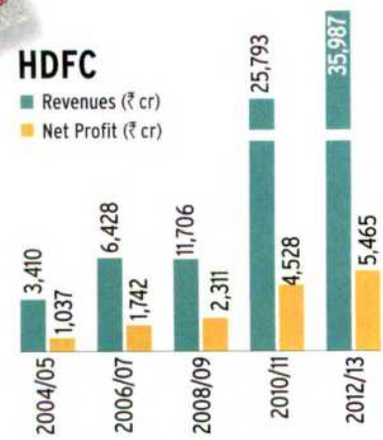
jumped 12 times while profit is up six-and-a-half times.

More money in the company's coffers naturally means shareholders are richer, too. If somebody had invested ₹1,000 in HDFC a decade ago, he would have 10 times the amount today. And dividend payouts have also been impressive. "In over 15 years we have never given less than 30 per cent dividend payout to our shareholders. In recent times, our efforts have been to give over 40 per cent dividend payout to our shareholders," says Keki Mistry, Vice Chairman and CEO of HDFC, in which FIIs own 74 per cent. "We have to strike the right balance in paying dividend and maintaining our return on equity (ROE). Our objective is to maintain high asset quality and the ROE has also to be kept in mind."

What is the secret behind HDFC's success? Spiralling property prices in the past 10 years have certainly helped. But HDFC's core financing business is not the only high performer. Subsidiaries such as HDFC Bank, HDFC Mutual Fund and HDFC Life have also contributed to the impressive performance of the company.

Despite the high dividend payouts, some analysts remain cautious. "The growth of HDFC has been mainly due to the rise in property prices and not because of volume growth," says Manish Bhandari, Managing Partner and CEO at investment advisory firm Vallum Capital Advisors. "So far so good. But the concerns are if prices correct from here, can volumes growth compensate for the fall in value? The answer is no and, therefore, there are concerns on how the company will be able to maintain its growth."

Things could turn out differently. For now, investors are certainly not complaining.



#All market cap figures as on August 30,2013

Sturdy Foundations

GRUH Finance Ltd
MD: Sudhin Choksey
MARKET CAP: **₹3,800 cr#**

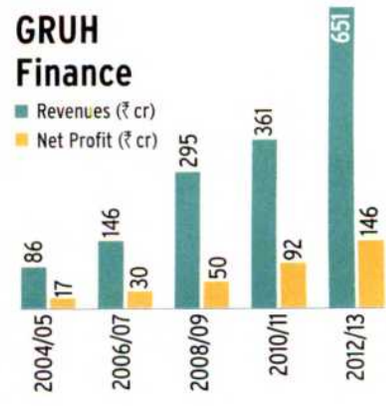
Not many investors may have heard of GRUH Finance. It is neither a big consumer brand nor a blue chip stock. But for many small investors who put their money into this small Ahmedabad-based home loan company years ago, GRUH is better than any blue chip.

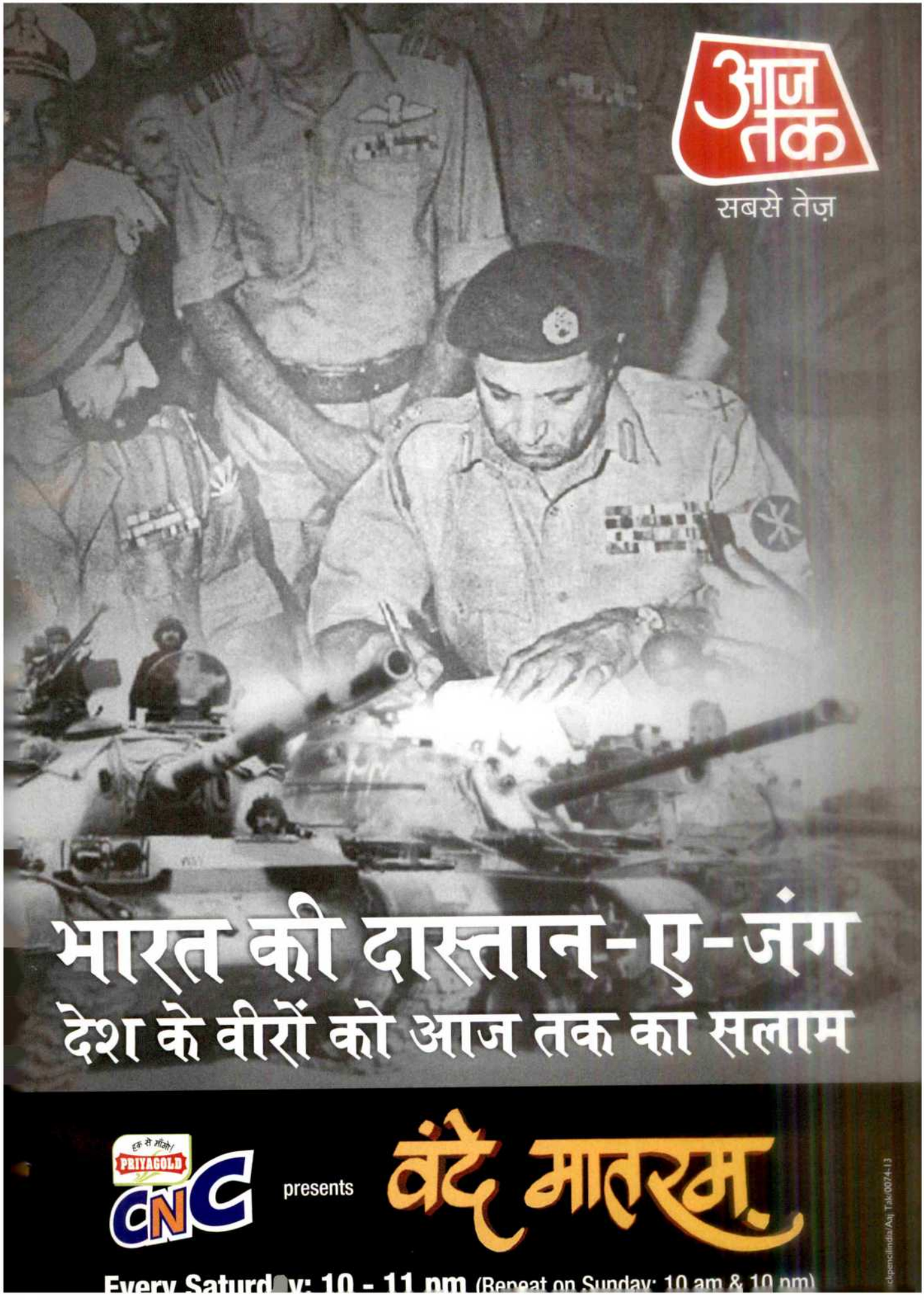
The company has paid a dividend of more than 30 per cent of its net profit in the past five years and its stock has beaten the Sensex eight times in 10 years. The company does not have any explicit dividend payment policy, but Managing Director Sudhin Choksey says its underlying philosophy is to share the cake generously with shareholders. "We have been paying between 35 and 38 per cent dividends for the last eight to 10 years," says Choksey, who has been steering the company since 1998, as CEO for the first two years and later as Managing Director. "One of the reasons we are doing well is our loan recoveries have been very good."

GRUH has done well on several other counts. As of end-June, its gross non-performing assets were just 0.46 per cent on its outstanding loan portfolio of ₹5,727 crore. In the last 10 years, the company's yearly loan disbursement has grown 10 times and net profit 11 times. Its EPS has jumped from ₹1 to ₹8.21. Analysts are bullish about its prospects. "The stock's valuations may be stretched, but I would still bet on GRUH as it can, over the next five years, grow at a compound annual growth rate of 25-30 per cent," says Nitin Jain, President (Retail Capital Markets) at Edelweiss Financial Services.

Choksey attributes much of the success to his company's unique business model – its loan products are customised because 97 per cent of clients are small borrowers. "We have options such as daily, weekly or monthly payments, and offer loans at both a variable and a fixed rate of interest. Half of GRUH's revenues come from places with a population of less than 50,000 people." ◆

RESEARCH INPUTS BY
JYOTINDRA DUBEY

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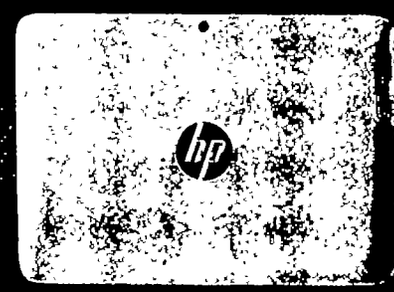
Combining to Conquer

By merging its PC and printer businesses, HP has consolidated its lead in both segments in India. But there is no room for complacency. By SUNNY SEN



Rajiv Srivastava laughed as he shared a few light moments with one of the journalists he had invited for a select press briefing on August 26. The meeting, in a roof-top conference room at the Oberoi Hotel in New Delhi, was far quieter than the glitzy product launches the Hewlett-Packard top gun usually holds in large banquet halls. But the head of the technology giant's printing and personal systems group in India was in a joyous mood. After all, HP had become No. 1 in all eight categories of its personal computer and printer businesses in India for the first time in its history.

Until recently, however, the situation was a lot different. HP had lost its leadership position in India's PC market in 2010, as Asian rivals Lenovo and Acer intensified competition with their cheaper products. Besides, smartphones and tablets were eating into PC sales.

India wasn't an exception, though. Globally, too, the Palo Alto, California-based company has been facing headwinds. Then, in March 2012, Meg Whitman, HP's President and CEO, decided to merge the printer and PC divisions to save costs and boost growth. In India, this has made all the difference. Srivastava, who was heading the PC business in India at the time, was chosen to spearhead the merged division.

"It's easier to generate revenue. The trick of the trade is to balance revenue and profitability"

RAJIV SRIVASTAVA,
Head of Printing and Personal Systems Group, HP India

VIVAN MEHRA/WWW.INDIATODAYIMAGES.COM

The performance of the printing and personal systems group (PPS) is important for HP globally – the company gets nearly half its revenue from this division. In India, it is even more critical as the group contributes almost two-thirds to sales. Srivastava's top priority was turning around the PC business, which makes up two-thirds of revenue from PPS. The task was difficult. He had to push sales of desktops and notebooks at a time when consumer preference was shifting toward sleek smartphones and tablets that Samsung Electronics and Apple make. According to market research firm International Data Corporation, sales of smartphones in India soared 166 per cent from a year earlier to 9.5 million during the April-to-June quarter. In comparison, PC sales grew 24 per cent to 3.5 million.

Srivastava was not eyeing revenue growth. HP's revenue in India grew even when it lost market share. Its sales rose 24 per cent in 2011/12 to ₹28,854 crore (about $4.3 billion at current exchange rates), according to technology magazine *DataQuest*. This was more than the combined India revenue of hardware giant IBM, chipmaker Intel and software company SAP for that year. But, it is still a fraction of HP's $120 billion global revenue. "It's easier to generate revenue by offering discounts," says Srivastava. Instead, he strived for efficiency, performance and profitability. "The trick of the trade is to balance revenue and profitability."

The merger of the printer and PC divisions has boosted HP's India business. In printers, its market share has risen to 60 per cent (see *Lion's Share*). Also, the printer business operates on a model where the company takes care of the machine, paper, ink and maintenance for a monthly fee. For HP, it means higher margins. But this model could not be replicated for PCs, as they are one-time purchases and have annual maintenance policies.

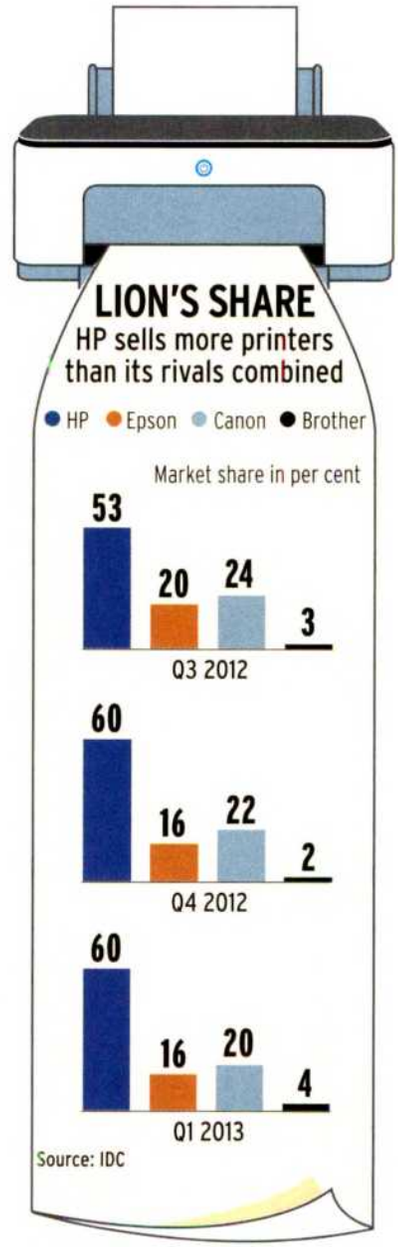
Before PPS was created, marketing and sales teams of PCs and printers worked independently and did not contribute to each others' growth. Also, the 300 HP World brand stores focused more on selling desktops and notebooks. That has changed now. Shakti Tripathy, owner of Bhubaneswar-based HP dealer Spectra Vision, says his sales have risen 30 to 40 per cent and profitability has improved since the merger.

Srivastava streamlined the distribution network as he realised that consumer behaviour was changing. Only 35 to 40 per cent of sales were coming from the top eight cities instead of 75 to 80 per cent a couple of years ago. Growth was in smaller cities and towns. HP has added about 100 more cities to cover 700 cities and towns post the merger. This makes its PC and printer sales network the largest in India. On demand, products reach the HP dealers in 24 to 48 hours. Before the merger, product delivery would take up to 10 days at times in some smaller towns.

Srivastava also integrated the sales and marketing teams. Earlier, clients had to deal with different HP executives for PCs, printers and maintenance. Now, a customer talks only the account manager at HP. That has helped in faster decision-making. Shaibal Kumar Chatterjee, Executive Vice President of administration and IT at ICICI Prudential Life Insurance, recalls how HP once lost out on a contract because its executives wanted a week to get approvals. "As a customer we were confused whom to deal with earlier," he adds.

Nitin Hiranandani, Director of Printing Systems at HP India, says the company is using the printer business "as a door opener" to sell more products to enterprise clients. "From promotion to display, all have the same plan for both PCs and printers," adds Raj Kumar Rishi, Senior Director of Consumer Channel Strategy, HP is increasing its printer stock with large format stores and online retailers. "I have an entire range to give to retailers like Flipkart," says Rishi.

To push PC sales further, Srivastava started chasing government projects. Last year, Lenovo became the No.1 PC vendor in India on the back of a contract from the Tamil Nadu government to supply 900,000 laptops for students. But the Chinese giant's market share began dropping once the contract ended and as it began focusing on smartphone sales, says a technology analyst with a consultancy firm. This helped HP claw back its share. In the quarter ended December 31, 2012, the US company regained the top slot



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GAINING GROUND | After a long haul, HP reclaims its No. 1 position in India's PC market

Position	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q2 2013	Q2 2013
1	Lenovo	Lenovo	Lenovo	HP	HP	HP
Market Share	15.84%	17.10%	16.80%	16.52%	22.50%	34.10%
2	Dell	Acer	HP	Lenovo	Acer	Dell
Market Share	14.99%	14.04%	15.57%	13.19%	13.80%	11%
3	HP	HP	Acer	Acer	Dell	Acer
Market Share	14.90%	13.80%	15.50%	12.06%	13.80%	10.40%

Source: IDC

(see *Gaining Ground*). In February, HP got a contract to supply 1.5 million laptops to the Uttar Pradesh government in a deal estimated to be ₹2,850 crore. That propelled its market share to 34.1 per cent in the April-to-June period. Even without this contract, the company is still No.1 with around 19 to 20 per cent market share, says Vinay Awasthi, Senior Director of Personal Systems at HP India.

The gain in market share has come without any price cuts. Srivastava says his products are at least five per cent more expensive compared to competitors. This shows customers are willing to pay a premium for HP products. That trend, say analysts, will likely continue. "There will be HP at the top selling premium and mass products, followed by others like Acer, Lenovo and Asus," says Sanchit Vir Gogia, Chief Analyst and CEO of technology consultancy Greyhound Research.

HP's main challenge now is to hold on to the market share it has gained. Awasthi agrees there will be a fall in market share once the laptop shipments in Uttar Pradesh end. "But then the whole market will also contract," he says. He is now getting ready for a second tender for notebooks in Tamil Nadu next quarter.

Srivastava is gearing up for a bigger battle – touch-screen laptops and tablets. He admits HP made mistakes when it launched touch-screen devices in 2009 based on the Windows operating system. "We screwed up," he says, without mincing words. "We got a lot of those devices and thought they would just fly off the shelves." They didn't. HP recently also launched a device for enterprise clients where the screen would break off from the keyboard to become a tablet, but that didn't grab eyeballs either.

Srivastava feels now is the right time to swarm the market with tablets. He has five to seven models at different price points ready to roll out. The launches will test his skills again. He will have stiff competition from Apple and Samsung. "We are lacking in a lot of places," he says. "Are we launching products in the market fast enough? Probably not." But the future will be brighter, he assures. There are 15 products in the PC and printer categories lined up for next year. Srivastava is not resting on his laurels. In the hyper-competitive tech industry, he can barely afford to. ◆

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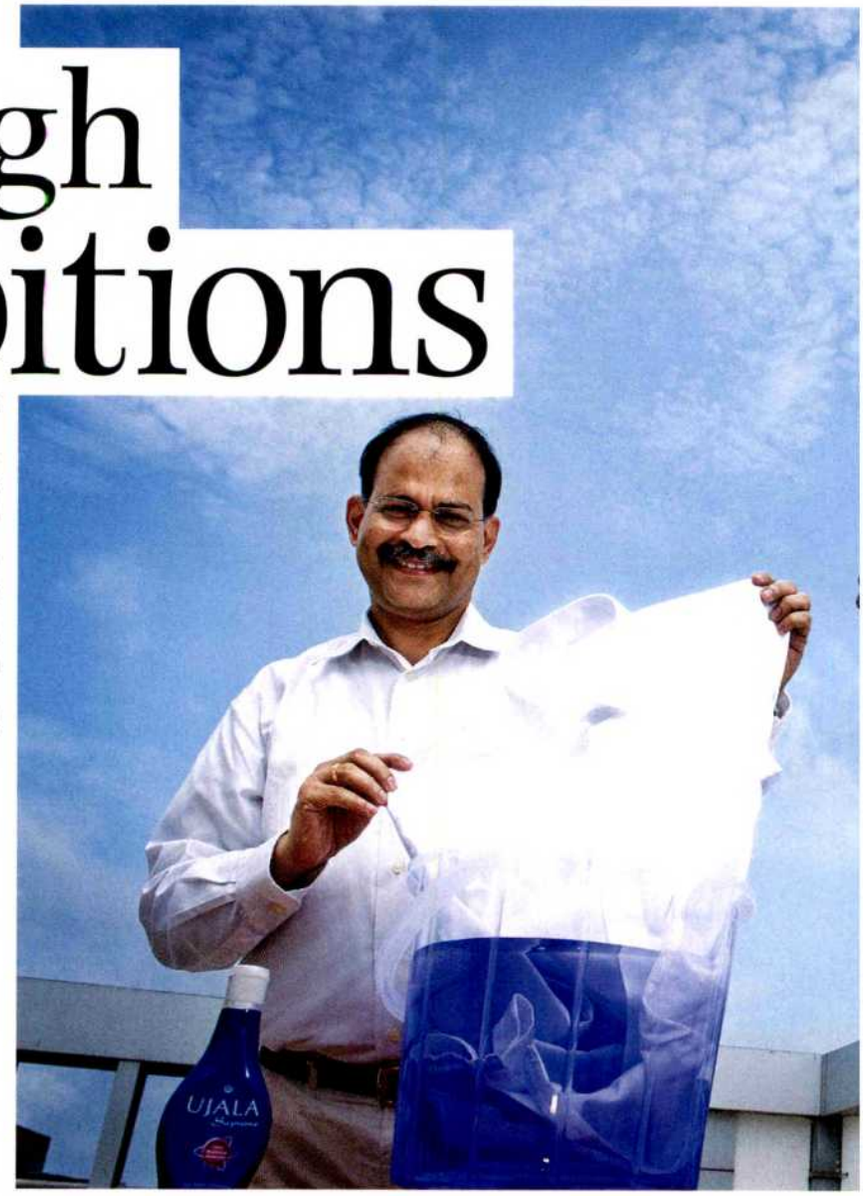
Sky-high Ambitions

Jyothy Labs' M.P. Ramachandran turned Henkel around in less than two years. Will he next give consumer products giants a tough fight?

By AJITA SHASHIDHAR

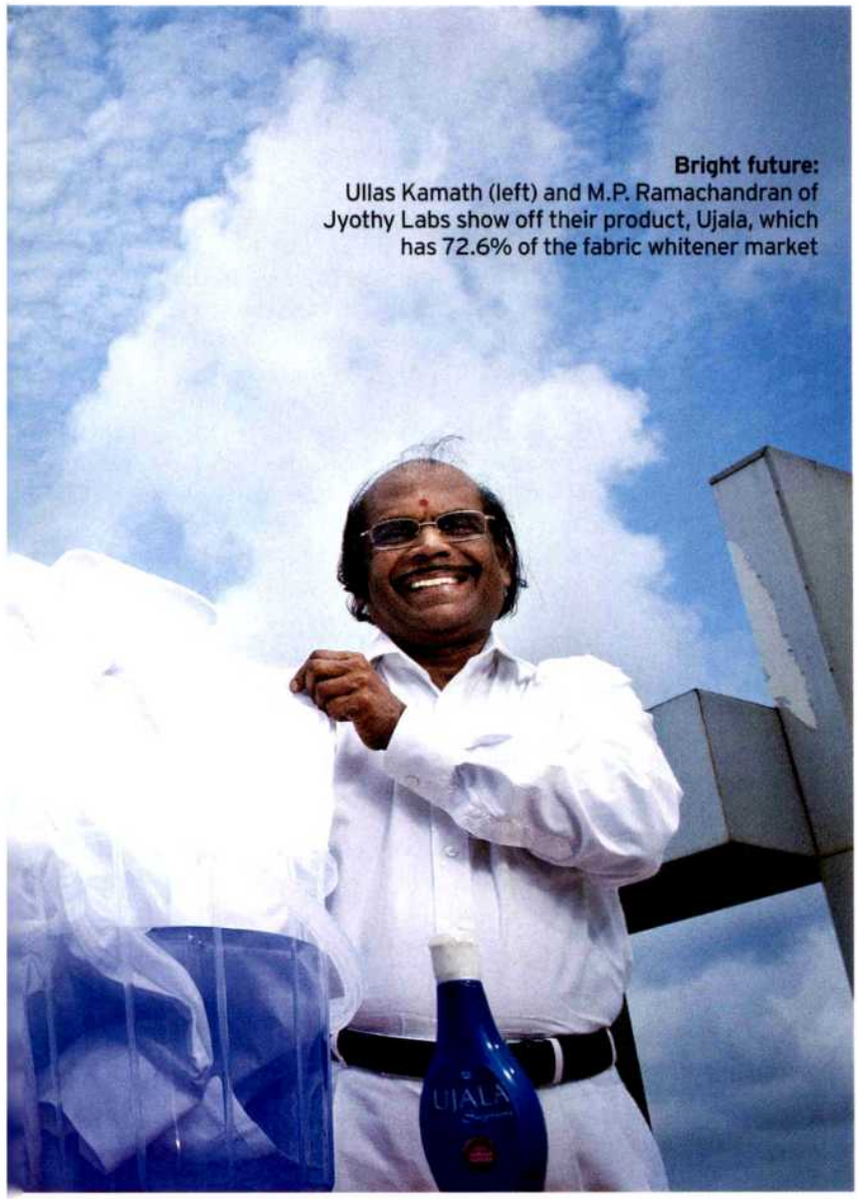


One January morning in 2011, Ullas Kamath, Joint Managing Director of Jyothy Laboratories, learned that German consumer products major Henkel AG wanted to sell its 25-year-old Indian operations. An idea started to germinate. Jyothy Labs was in the process of acquiring a small consumer products maker, but that would give Jyothy only a regional footprint. Henkel India was making losses, but it had a nationwide presence and its brands had good consumer recall. Kamath was confident of turning it around. Within an hour, he had assembled the portfolio of Henkel products – Henko, Pril, Margo and Fa – and it to the office of M.G. Ramachandran, Founder and Managing Director of Jyothy Labs. "I asked him if we could make those products in our factories without increasing capacity, and he said we could not only do so but also get gross margins of up to 35-40 per cent," says Kamath.

Kamath then headed to the headquarters of Henkel AG in Duesseldorf, Germany. In first week of March 2011, Jyothy Labs bought Henkel's Indian arm for ₹850 crore.

For Ramachandran, the deal was about much more than the excitement of buying out a multinational company. "Ullas told me it is not profitable, and I said we should bid for it nevertheless," he says. "I was confident ... Henkel would be profitable."

The 67-year-old Ramachandran is dressed in white, as he has done all



Bright future: Ullas Kamath (left) and M.P. Ramachandran of Jyothy Labs show off their product, Ujala, which has 72.6% of the fabric whitener market

NISHIKANT GAMRE/www.indiatodayimages.com

his life. He himself developed his flagship brand, Ujala, as he was unhappy with the results of the fabric whitener he was using. Ujala now has a 72.6 per cent share of the fabric whitener market.

Before buying Henkel India, Jyothy Labs had bought a 15 per cent stake from Henkel's joint-venture partner, A.C. Muthaiah, who held 17 per cent through his company Tamil Nadu Petroleum. Henkel India, whose revenue was ₹400 crore, was making losses of ₹600 crore. "The day Jyothy announced that it had bought 15 per cent from Muthaiah, its stock tanked by 20 per cent," says Jacob Mathew, Managing Director of Mape Advisory Group, which advised Jyothy on the deal. "Every equity research outfit had a sell recommendation. But where everyone saw muck, Ullas and Ramachandran saw unpolished diamonds."

Since Jyothy bought Henkel India, the latter's revenue has spiralled to ₹1,100 crore. Profit after

Product Portfolio

FABRIC CARE
Liquid Blue: Ujala
Ujala market size:
₹524 cr

DETERGENT
Henko (premium), Ujala IBF 100, Mr White (mid-segment), Chek (mass)

Detergent market size:
₹20,000 cr

HOUSEHOLD INSECTICIDE
Maxo coils

Market size:
₹1,482 cr

DISHWASHING SOAP
Pril liquid
Liquid soap market size:
₹1,543 cr

Exo bar soap
Bar soap market size:
₹12,939 cr

PERSONAL CARE
Deodorant: Fa
Deodorant market size:
₹500 cr

Soap: Margo, Fa, Neem
Soap market size:
₹11,000 cr

How Jyothy Bought Henkel

- When Jyothy Labs and Henkel India started talks in 2005, **Henkel was considering buying a stake in Jyothy,** but the latter was unwilling to give Henkel a majority stake

- A year later, Henkel India was looking for a distribution partner. Both **Jyothy and the Godrej Group were contenders,** but Henkel could not agree on terms with either of them

- In 2010, Henkel decided to sell off its loss-making Indian arm. Jyothy's Joint MD Ullhas Kamath immediately flew to Henkel's Duesseldorf headquarters to meet its top management, but **Henkel insisted on a bidding process**

- **Jyothy bought entrepreneur A.C. Muthaiah's 15% stake in Henkel India** at ₹35 per share. It bought Henkel shares at ₹21 each

tax was ₹44 crore in 2012/13. It is lower than the previous year's ₹88 crore, but the biggest challenge was to offset the ₹600 crore losses while remaining profitable.

For Ramachandran, who had never tasted losses in his career, taking on Henkel India and its ₹500-crore debt was a first. His longtime friend Anjan Chatterjee, Chairman of Speciality Restaurants and creator of Ujala's first ad tagline (*"Char boondon wala Ujala"*), describes him as a man of grit and imagination. "He fought more battles in court in his initial years than in the marketplace, but he never gave up," he says. "I had no doubt he would turn Henkel around." Chatterjee is referring to Ujala's rival Robin Blue going to court to prevent Jyothy from airing its commercials.

"Most entrepreneurs operate based on gut and wisdom... most don't know how to run a business efficiently"

S. RAGHUNANDAN,
Whole-time Director & CEO, Jyothy Labs

Kamath and Ramachandran worked out a cost-saving strategy that saved close to ₹100 crore. "The employee cost of Henkel was ₹25 crore, which was high for a company with revenue of ₹400 crore," says Ramachandran. "Many were expats. After the merger, we retained only 50 out of 475 employees." Mathew of Mape Advisory says most exits were voluntary, as employees did not want to work with an Indian company.

The company also closed Henkel's huge office in Chennai and guest houses across the country. Production was consolidated, as nine of Henkel India's 10 factories were shut, and production shifted to Jyothy's facilities.

Kamath and Ramachandran were clear that they needed a professional team to run the business, especially as their portfolio now had 10 brands in four categories – fabric whitener, detergent, personal care and home care. Earlier, the company had three brands – Ujala fabric whitener, Maxo mosquito coils and Exo dish soap – of which two were available only in southern states.

In May last year, the company hired S. Raghunandan as CEO. Often called the 'Turnaround Man' he has reinvigorated family-run businesses such as Dabur and Paras. He oversaw growth at Dabur from revenues of ₹1,000 crore and a PAT of ₹63 crore in 2002, when he joined, to revenues of ₹4,000 crore and PAT of ₹350 crore six years later.

Raghunandan cherishes the freedom of the management in charting the path to growth. "Most entrepreneurs operate based on gut and wisdom, and are highly ambitious," he says. "However, most don't know how to run a business efficiently." He and his team of 15 senior managers

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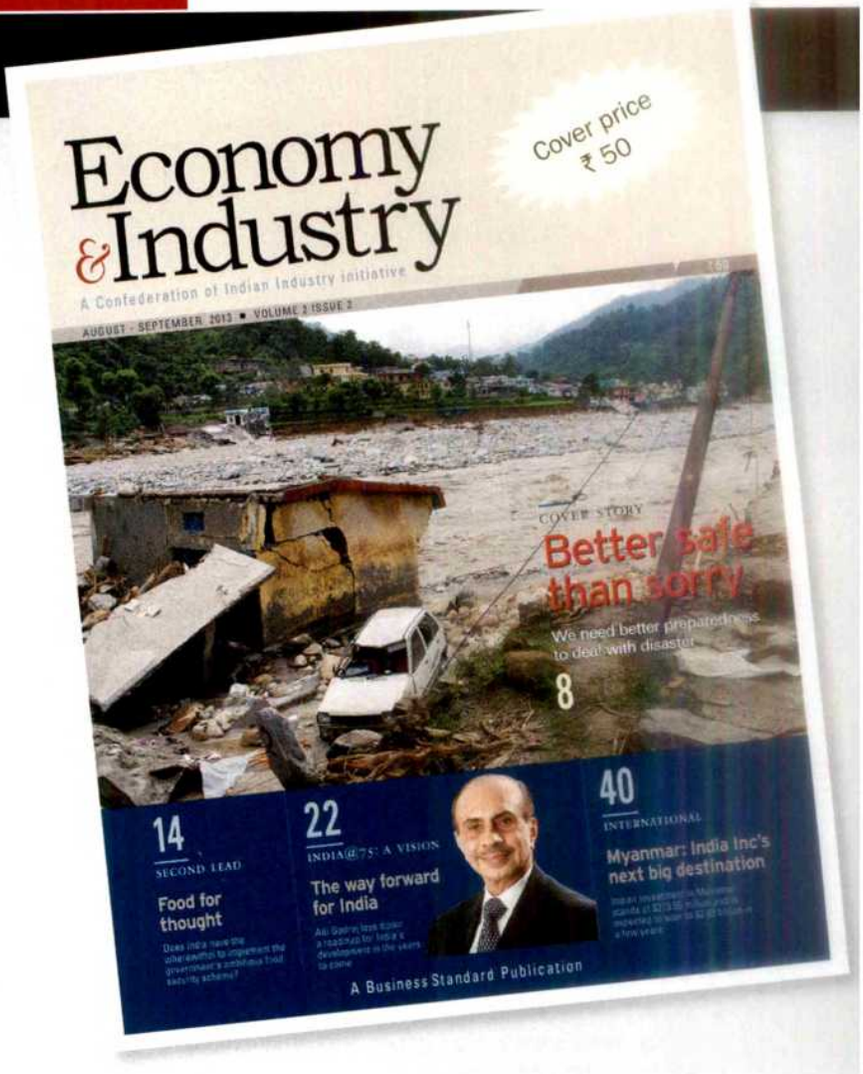
  The Indian government has gone beyond just being a relief provider and proved to be a manager of disasters. However, the ground level functions need to be strengthened

- **SECOND LEAD**
  FOOD FOR THOUGHT
  There are doubts over financial viability as government readies to distribute cheap grain under the National Food Security Ordinance

- **INDIA@75: A VISION**
  WHERE HAVE WE REACHED?
  WHERE ARE WE HEADED?
  The India@75 initiative is working with the Planning Commission for developing the India Backbone Implementation Network

- **INTERNATIONAL**
  MYANMAR: INDIA INC'S NEXT BIG DESTINATION
  India Inc. has realized Myanmar can be a viable economic option

- **Q&A**
  "IT'S A TOUGH YEAR, BUT THIS IS TEMPORARY"
  Charles Chesbrough, Principal Senior Economist, IHS, on India's current economic condition



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"The day Jyothy bought a stake in Henkel India, their stock fell 20%. Where everyone saw muck, Ullas and Ramachandran saw diamonds"

JACOB MATHEW,
MD and Co-Founder, MAPE Advisory Group

DANESH JASSAWALA

wasted no time in trying to improve operational efficiency. The first step was a shift from a company-owned sales force to carry and forward agents. Today the direct sales force caters only to 20 per cent of the market. From turnover-based incentives for the sales team, Raghunandan moved towards a fixed fee system, which saved the company ₹10 crore.

The next move was to rationalise distributor and retail margins. Jyothy offered high distributor and retail margins – 12 to 16 per cent, compared to the industry norm of eight to 10 per cent. Kamath says a company with three products needed to offer retailers a sweetener to sell their products. But with a larger product portfolio, CEO Raghunandan felt the sweetener was not required. Jyothy cut retail margins to eight per cent and saved ₹30 crore.

Raghunandan diverted some of the savings to advertising. Jyothy had been spending six per cent of revenues on advertising and marketing – well below the industry norm of 10 per cent. He raised Jyothy's ad spend to 10 per cent, and sales rose 25 per cent. "Gradually, ad spends will be close to 12 per cent," he says.

When the company moved from a regional focus a national one, Raghunandan felt it was time to introduce products in the middle and premium segments, where margins were higher, rather than sticking to the mass market. Ujala's price was raised from ₹15 to ₹17 for a 75 ml bottle, and the brand was extended to detergents that rivalled Tide and Rin.

Raghunandan plans to take seven brands – Henko, Ujala, Fa, Margo, Pril, Maxo and Exo – to the next level. For instance, he wants to turn Margo – a ₹100-crore brand at the time of the acquisition – into a ₹200-crore brand.

Jyothy's acquisition of Henkel India raised eyebrows a couple of years ago, but today, most industry observers say it was crucial to growth. Raghunandan says he would have never joined a three-brand company.

Hemant Patel, Executive Director at brokerage Axis Capital, says that while Jyothy was strong in its product categories, they weren't growth categories. He adds: "It was important to build brands organically or acquire brands which are strong but have not been managed too well in the past."

The acquisition helped Jyothy Labs scale up, but now it is pitted against the giants. Contrast Jyothy's seven per cent share, through Henko, in the premium detergent market, with Hindustan Unilever's share of over 45 per cent. In the ₹1,500-crore dish soap market, Exo has an 11 per cent share, while HUL's Vim has close to 50 per cent. Ramachandran says he is not intimidated. "In the ocean, there are sharks as well as small fish. Both grow and survive. As long as I can offer a better product to the consumers, I will survive."

Axis Capital's Patel says Jyothy is too small to threaten the bigger players or be threatened by them. "They have still not rolled out their brands across the entire country. They will start competing with the big brands only when they do so."

Besides plans for growth, Jyothy is looking at foreign markets. Its first factory in Bangladesh will come up soon, and it is eyeing West Asia and North Africa. Ramachandran says: "My vision is to make Jyothy Laboratories a ₹10,000-crore company by 2020." ◆

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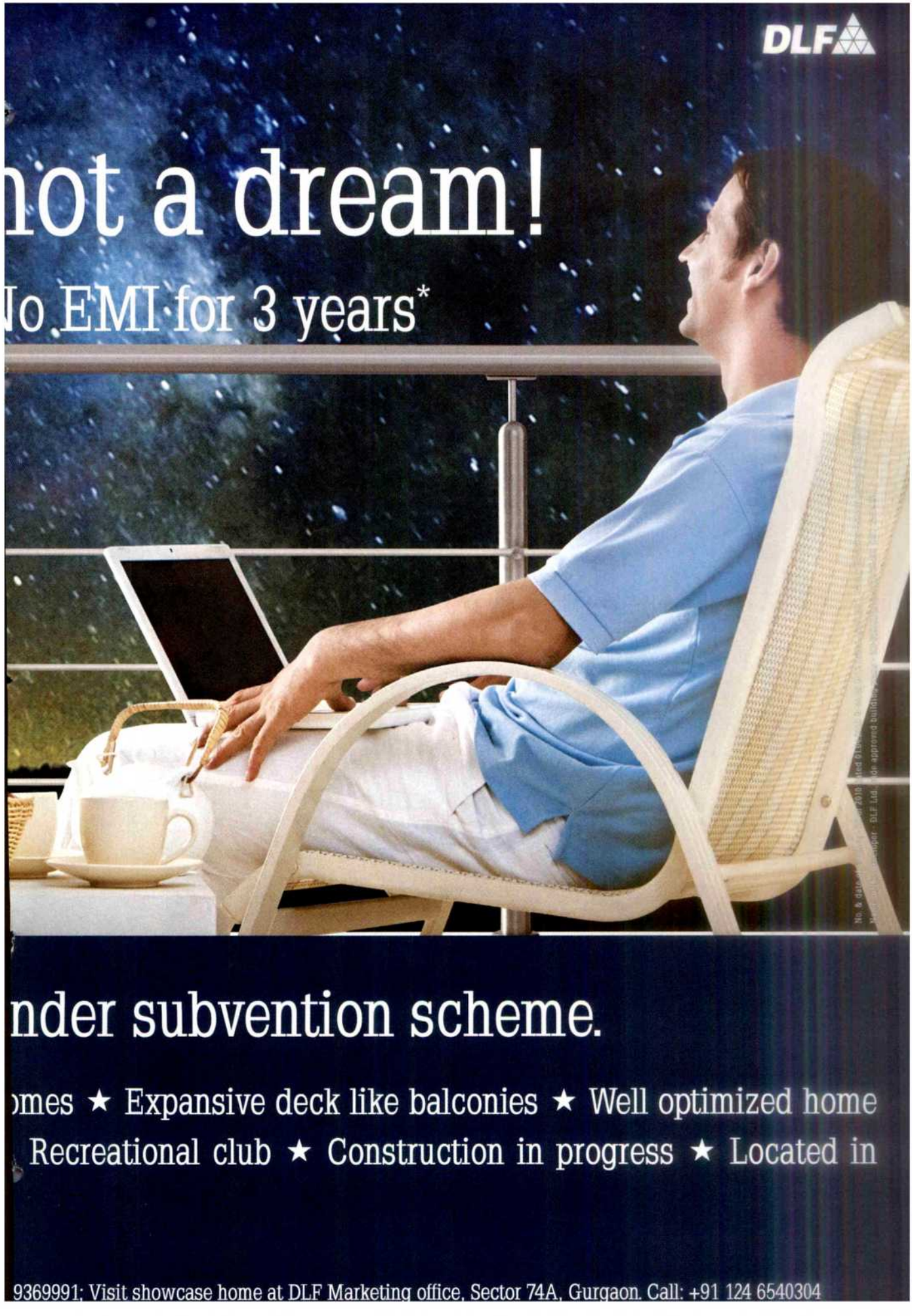
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SOUNAVA RAY SARKAR

SURVIVORS

Mydala.com, GrOffr.com and Groupon India are still continuing

They seem almost too good to be true. "Save up to 95 per cent in Delhi/NCR – get access to restaurants, spas, sporting events, cinemas and much more" goes the leading ad on Groupon India's website, *groupon.co.in*. "Get free offers," screams *Mydala.com*. The attractive, ever-changing offers – they have to be snapped up within 24 hours of their announcement – across group deal sites ought to have had customers clicking furiously and forming queues to redeem the discount coupons the sites send them. But none of this has happened.

On the contrary, a number of such sites – *Dealsmagic.com*, *MasthiDeals.com* and *Taggle.com* – have shut shop, while the likes of *Snapdeal.com*, *GrOffr.com*, *Mydala.com* and *Koovs.com* have changed their business models. Only a handful like

DEALS GONE SOUR

Websites specialising in group buying deals are floundering. Some have closed, while others have been forced to change their business model.

By CHANDRALEKHA MUKERJI and SAM ABRAHAM

> **"Any model based on hyper discounting will not survive when the switching cost for the customer is zero"**
>
> **Kanishk Shukla, CEO, Koovs.com**

Groupon India remain in the original business. Both Snapdeal and Koovs are now online retail stores – while Koovs has abandoned deals entirely, Snapdeal offers a few at the bottom of its site, almost as an afterthought. GrOffr is largely into real estate broking. What went wrong?

Group deal websites draw their revenues from the commissions the merchants – restaurants, cinemas, hotels, etc – pay them for each customer they bring in at the discounted rate. Barring the big players, most merchants have limited marketing options – being mostly limited to bulk SMSs, flyers and registering on *Justdial.com* – so they buy into these schemes to get an additional channel, as well as the likelihood of getting bulk customers. It makes sense for a restaurant or newly opened shop owner to get discounted customers rather than no customers at all.

For the group sites, getting those bulk customers is the big challenge. "The revenue model was the problem," says Rutvik Doshi, once CEO of the short-lived *Taggle.com*. "The amount of money spent on getting a customer was 10 times what was realised from him by selling him an offer. This meant the same customer had to buy 10 coupons from our site before we could break even on marketing expenses alone." But there is no guarantee that a deal-hungry customer will go back to the same site for his next coupon purchase. "The problem with deal hunters is that they are rarely repeat customers," says Vikhyat S., Co-founder, GrOffr.com. "They will buy wherever they get the best discounts." *Koovs.com* Co-founder Kanishk Shukla is equally pessimistic. "Any model based on hyper discounting will not survive when the switching cost for the customer is zero. The businesses kill one another trying to acquire an online customer only to take home a non-loyal customer," he says.

All these sites were inspired by the success of Groupon, launched in the United Sates in November 2008. (Since then Groupon, too, has had its own share of problems – CEO Andrew Mason resigned over an accounting scandal – but is now slowly recovering.) All the Groupon clones in India were born between late 2009 and early 2011. Groupon itself entered the Indian market in January 2011, buying up one such site called *SoSasta.com*. The investment required appeared modest – mainly in creating the tech infrastructure and employing a sales team to both liaise with merchants and market the site.

But once they jumped in, many entrepreneurs realised they had been mistaken. For one, there were too many of them. "We entered because of the low mobilisation cost

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WHAT WENT WRONG

- Getting bulk customers proved too big a challenge
- Too many took the plunge at the same time
- Disdainful attitude of merchants made things worse
- Many failed to gauge who their main focus was – merchants or customers

and effort required on the supply side," says Rajeev Sathe, Co-founder of *Dealsmagic.com* which, too, has since closed. "In the early days, leading brands jumped on board." The problem was getting customers because of the fierce competition. "The timing of our entry made it challenging to create a presence without significant investment in customer acquisition," adds Sathe. "Neither I, nor my partner, had the appetite to risk further investment given the difficulty of raising funds."

Ankur Warikoo, CEO, Groupon India, agrees. "Group buying has extremely low entry barriers but barriers to scale are high," he says. "If you don't understand the nuances, you will end up in a race to offer the biggest discount – a bad experience both for your merchant and your customer." The Indian group deal sites have, in fact, made some concessions their US counterparts do not – but even that has not helped. With most US sites, for instance, a discount deal becomes valid only after a minimum number of customers sign in, thus assuring the concerned merchant a bulk order. In India a discount deal is 'on' the moment the first customer buys his coupon.

Some feel group deal sites also had their priorities mixed up. "Who is the main focus, the merchant or the end-user," asks Amitabh Saran, former CEO of *Buzzintown.com*, which has shut down its group deals vertical. "It was always supposed to be the merchant, but deal websites started focusing largely on the person holding the credit card. Soon it became clear to most merchants that offering huge discounts was not a sustainable way to bring in new customers."

In turn, the disdainful attitude of some merchants towards their 'discount customers' hardly helped. In one Bangalore restaurant, for instance, those bringing in coupons were served half a bowl of soup against the full bowl promised. "To encourage customers to come back to particular sites, we need a large pool of merchants," says Doshi, the ex-CEO of *Taggle.com*. "But the pool of local merchants who can provide quality service and shell out offers at the same time is small. Except a few hundred in each city, most do not serve customers well."

So, apart from moving into a different segment, how have the survivors managed? Obviously, having deep pockets helps – as in the case of Groupon India, backed by its US parent. "Just one or two global players will survive on the basis of their financial muscle," says Shukla of Koovs. More interesting is the case of Mydala, which has modified its role, without – unlike most others – entirely transforming it. "We focused on helping merchants reach customers rather than the other way round," says Anisha Singh, Founder and CEO of *Mydala.com*. Mydala built a marketing platform which merchants could use, apart from improving its data mining and analytics to help them. It claims to be currently assisting 100,000 merchants and their advertising partners reach 200 million users in 145 towns and cities. ◆

"We focus on helping merchants reach customers, rather than the other way round"

Anisha Singh, Founder and CEO, Mydala.com

ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

PHOTOGRAPHS BY NISHIKANT GAMRE & DANESH JASSAWALA

SAVOIR FAIRE AND SISTERHOOD

Business Today celebrates the power of corporate women for the 10th time.

By ARPITA MUKHERJEE

They didn't just dream, they also succeeded in living their dreams. India's most powerful business women have fended challenges, both personal and professional, to reach the top of the ladder – and they don't plan to stop at that. More than 30 business women gathered at Mumbai's ITC Grand Central last fortnight where they were felicitated as *Business Today*'s The Most Powerful Women in Indian Business.

Xerox Corp Chairman and CEO Ursula Burns was the chief guest, and the occasion was one to remember. Having worked with Xerox all her life, Burns, in a lively discussion onstage with *Business Today*'s Editor Chaitanya Kalbag, said her company had never expected her to change herself in any way for the sake of her work, but simply do it well. "People actually pointed me towards roles and I was smart enough, humble enough, or lucky enough to not push back."

However, Burns, who is a mechanical engineer, feels women are sorely under-represented in many sectors. Renu Sud Karnad, Managing

Winners all: (From left) Neha Kirpal, Founder-Director, India Art Fair; Sumithra Gomatam, Senior VP, Cognizant; Kirthiga Reddy, India Head, Facebook; Nishi Vasudeva, Director-Marketing, HPCL; Vinita Singhania, MD, JK Lakshmi Cement; Anjali Bansal, MD, SpencerStuart India; Shanti Ekambaram, President, Corporate and Investment Banking, Kotak Investment Bank; Vinita Bali, MD, Britannia Industries; Ashish Bagga, Group CEO, India Today Group; Ursula Burns, Chairman & CEO, Xerox Corp; Amita Kasbekar on behalf of Savita Mahajan, Deputy Dean, ISB; Chaitanya Kalbag, Editor, *Business Today*; Renu Sud Karnad, MD, HDFC; Vanitha Narayanan, MD, IBM India; Archana Hingorani, CEO & Executive Director, IL&FS Investment Managers; Roopa Kudva, MD & CEO, CRISIL; Shubhalakshmi Panse, CMD, Allahabad Bank; Renuka Ramnath, MD & CEO, Multiples Alternate Asset Management; Zarin Daruwala, President (Wholesale Banking), ICICI Bank; Madhurima Mukherjee, Partner, Luthra and Luthra Law Offices; Chitra Ramkrishna, MD & CEO, National Stock Exchange; Pallavi Shroff, Senior Partner, Amarchand & Mangaldas; Anupama Ahluwalia, VP Marketing, Coca-Cola India; Priya Nair, VP Detergents, HUL; Aisha de Sequeira, Co-Country Head & Head Investment Banking, Morgan Stanley; Asha Gupta, MD, Tupperware India; and Swarupa Sanyal, Head, Strategy and Corporate Initiatives, Genpact

Director of HDFC, echoed the same sentiment while engaging in a panel discussion on whether successful women leaders have made it easier for other women to succeed. She said many industries such as manufacturing still employ fewer women.

The general consensus was that successful women can influence others to look at women employees who are much younger, in a different manner. "Successful people influence other successful people to make decisions," said Vinita Bali, Managing Director, Britannia Industries. A successful business woman can be a role

Top boss: Ursula Burns (left), Chairman & CEO, Xerox Corp; with Chaitanya Kalbag, Editor, *Business Today*

"Dove made the difference.
My friend helped me see it."

(From left) Kathryn Mikells, CFO, Xerox Corporation; Shikha Sharma, MD & CEO, Axis Bank; Zia Mody, Managing Partner, AZB & Partners; Naina Lal Kidwai, Country Head, HSBC India; and Kalli Purie, Group Synergy & Creative Officer, India Today Group

(From left) Kirthiga Reddy, India Head, Facebook; Renuka Ramnath, MD & CEO, Multiples Alternate Asset Management; Vinita Bali, MD, Britannia Industries; Renu Sud Karnad, MD, HDFC; and Josey Puliyenthuruthel, Managing Editor, *Business Today*

(From left) Suchi Mukherjee, Founder & CEO, LimeRoad.com; Anisha Singh, Founder & CEO, mydala.com; Pallavi Gupta, Founder, Spring Leaf Retail (Mast Kalandar); Sairee Chahal, Founder, Fleximoms.com; and Shweta Punj, Associate Editor, *Business Today*

model instead of handholding other women. "To be successful must come from within," said Karnad.

Young entrepreneurs had a lively discussion on whether it was easier for women entrepreneurs to start online businesses rather than brick-and-mortar ventures. "Business has nothing to do with online or offline," said Suchi Mukherjee, Founder and CEO, LimeRoad.com. "You do it because it makes sense." Others agreed. "Innovation is key to any business, but the key is also how well you execute it," said Pallavi Gupta, Founder of Spring Leaf Retail.

The discussion moved to the importance of impatience in business. "One should be impatient with the steps one takes, but be patient about the outcome," said Naina Lal Kidwai, Country Head, HSBC India. "Be patient with failure and take it as a learning curve. And that's where women can score."

The general observation was that things are changing, but that change is slow. "It is important to look at small steps," said Shikha Sharma, Managing Director & CEO, Axis Bank. Sharma said that one needs to be patient in today's economic environment. On the other hand, Zia Mody, Managing Partner, AZB & Partners, said: "We have been patient enough. Now is the time to be completely impatient." She struck a humorous note when she commented on the change from "wait a minute" to "wait a second" and said someday we will say "wait a nano second".

Burns, along with Ashish Bagga, Group CEO, India Today Group, and Kalbag gave away the awards to those on the most powerful women list (see *businesstoday.in/mpw-2013*).

Sixteen of the 30 women figured in the list for the first time. Three women, who have made this list at least seven times, moved into the hallowed "Hall of Fame". They were Britannia's Bali; Renuka Ramnath, MD & CEO, Multiples Alternate Asset Management; and Karnad of HDFC. "I would consider my work done if I could even inspire a handful of women," Karnad said.

Dove was the event's Presenting Sponsor, Prima Gold was Associate Sponsor, Signature Premium was a partner and ET Now, a TV partner. ◆

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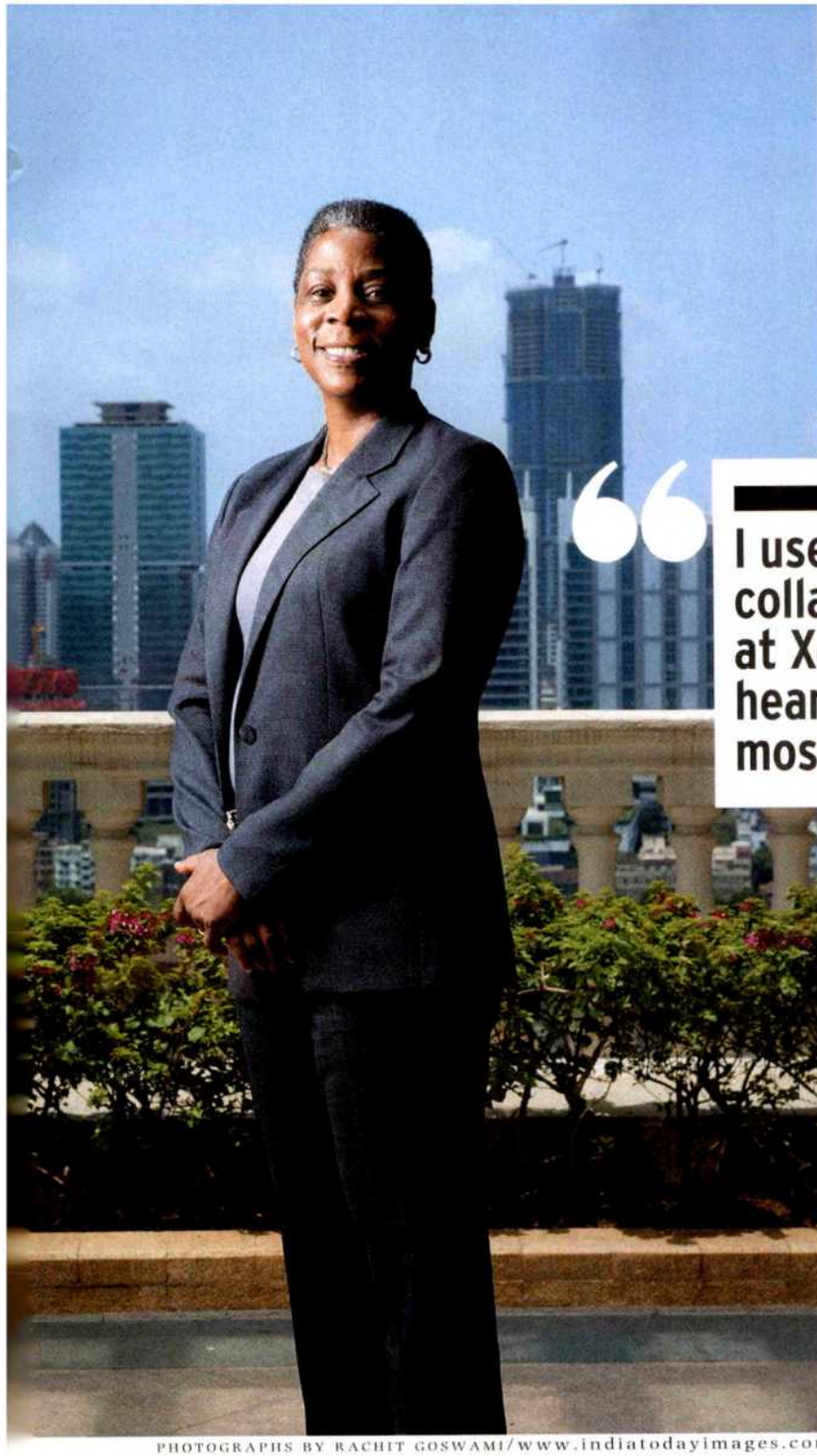
"The personality of Xerox is not gender-based, but it is one that enables women"

URSULA BURNS *is the first African-American woman Chairman and CEO of a* Fortune 500 *company and she wears that badge with some pride. Her logic for that is simple: she needs to inspire others – and get some mileage for Xerox, the company she leads – by standing proudly in the limelight. In India late-August to attend* Business Today*'s Most Powerful Women awards, Burns, spoke with* **Chaitanya Kalbag** *and* **Josey Puliyenthuruthel** *on Xerox's transformation to a products and services company and her personal journey. Edited excerpts:*

Kalbag: Xerox was a company in a near-death experience about 12 or 13 years ago. You took over in 2009, made a huge acquisition. Do you believe that the way the company is being positioned now will make it grow for the next 50 years?

Burns: Absolutely, if I didn't I'd change the strategy. Part of the responsibility that I have is to assure that all the assets that we have, which are huge, as a company, are utilised to the best for our clients and for our shareholders and for our employees. Before I became CEO, we had a CEO named Anne Mulcahy who steered the company out of some pretty precarious waters. In doing that, she allowed me to take over a company that was not in a financial problem, that had flexibility, that had a foundation and strategy that was already started. My job when I took over was to figure out a way to accelerate it. We didn't take shortcuts, we worked really hard, we believed... we were kind of a blue-collar company so we had great foundation, to actually take on heavy challenges and take on a lot of work. Under Anne, we had started and grown into a document outsourcing business.

What that did, it allowed me and the team that was under Anne at this time to think about other things that we could do since this business was started. We had to actually think about additional [businesses]. We looked at and acquired companies in this time, legal outsourcing, e-discovery outsourcing, mortgage processing outsourcing... The goal we had was to try to continue to buy these small kind of players and grow them up. But when I looked at that, I realised that it would take forever, take a lot of time to buy these small



PHOTOGRAPHS BY RACHIT GOSWAMI/www.indiatodayimages.com

I use the word 'blue collar' purposefully at Xerox. It is the heart and soul of most economies

10-million dollar companies. And it's a lot of risk.

We looked, and looked and looked, and we kept running into this company called ACS that had already consolidated and rolled up a lot of different BPO type of businesses. So we bought that company and the reason why that was important is because that allowed us to then buy companies from that point forward – and attach them to something [in ACS]. ACS had a history of buying small companies, putting them into a larger company and stabilisingthe small company and growing its scale.

Kalbag: You've been a lifer at Xerox. Do you think that's made a huge difference, in terms of leadership and the confidence to take the company forward in a time of change and challenge? Or do you actually think sometimes it could work in the wrong way because you are too hemmed in by old rules and conservatism?

Burns: In the case of Xerox and the last two CEOs at least, it was absolutely required that the leader of the company was somebody who knew a lot about the history of the company. And had lived some of it. So this...we started out with this word, blue collar, and I use it purposefully at Xerox. Blue collar is the heart and soul of most economies. It's people who work hard, people who are not afraid of challenges, people who are fairly egalitarian, who are

> I was unique all the time, not because I was uniquely smart but because I was a woman, I was black

willing to pull the bail even if that's not their job.

In the change that we are making now, from a product only business to a product and services business – the "and" is important – if I don't know enough about what we did in the past, then I literally would sacrifice and make huge trade-offs and lot of mistakes about what to keep and you know, how do we grow and nurture what we need to keep. You could get blind to that, but I have enough reminders so I want to continue as best as [I can and] not hold on too long to things that are not valuable.

Kalbag: Eleven of your 30 top management people are women. Do you think that's made a difference at Xerox?

Burns: The personality of the company is made up of the sum of many different personalities. I am one hundred per cent sure that the personality of our company and the tilt that we have is affected by the fact that we have had two successive women CEOs. No doubt about it. Our hiring pattern, interestingly enough, probably hasn't changed that much. The reason why we had two successful (female) CEOs is because some guys hired us before. So the personality of the company is not a gender-based personality, but it is one that actually enables, fairly easily, distinction of women. When I travel it's sometimes three women who are travelling; I don't say let's find the three women to travel with me. I say my treasurer has to come, my technology lead has to come, and my head of [marketing] has to come and it turns out that I have more of a shot of that person being a woman than most other people.

Puliyenthuruthel: Tell us about the "imposter syndrome" you say women deal with.

Burns: A lot of women I run into actually experience it – and I do as well, even today, sometimes. When I started, when I was an engineer, when I was studying engineering, when I became an engineer, when I became a manager of engineering, when I became a manager of business... I was unique, all the time, often, not because I was uniquely smart but because I was a woman, I was black. I was this unique thing. And, I was young, that was a huge thing as well. I had no control over those facts, right?

But there's too much of self reflecting. Men don't worry about this at all. They get up in the morning and go to work, everything is pretty standard, they're very comfortable where they are. Women are not necessarily automatically comfortable, they have to get themselves there and that forces you to be very self-reflective. [They] pause a lot before they act, pause a lot before they think. You're a little bit more cautious. And we women actually do question our abilities more than most men do by a mile. [We're] very self critical, very cautious, etc.

Facebook COO Sheryl Sandberg wrote a book *Lean In*. I'm not a lean-in or lean-out person, but the point that she's saying is that we women actually step back a lot and it's not because we're less smart or poorly trained or less articulate. We are always the different voice, so we get the syndrome of – are we really this good? Literally, the things that men say about us: is she here because she's a woman, is she here because she's black, the things that men say about us, we actually ask about ourselves. I do it sometimes myself – which is interesting because I'm already the CEO of a company. ◆

For more on Xerox's turnaround, its future growth and targets, read more of the Ursula Burns interview at:
businesstoday.in/ursulaburns-xerox

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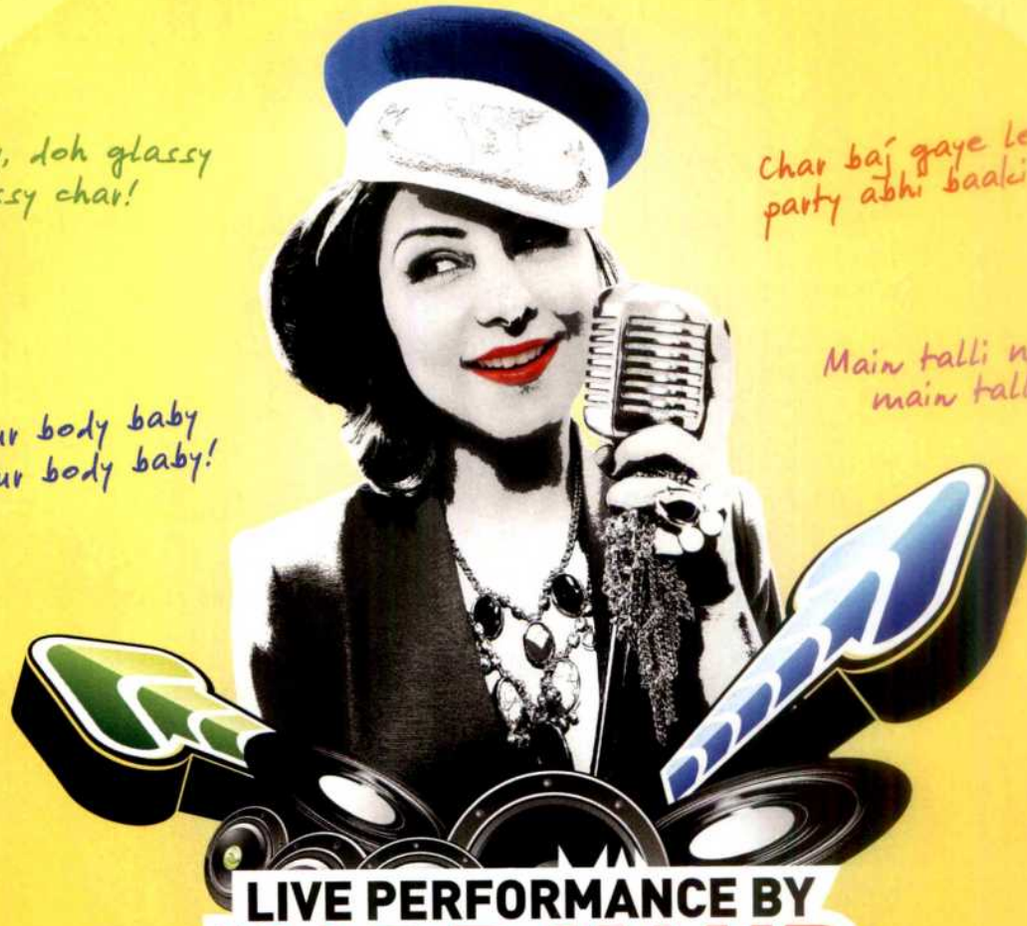

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HIJACKER BRANDS WIN THE SOCIALYMPICS

EXECUTIVE SUMMARY

How is it possible that Nike is thought to be an official sponsor of the London Olympics by more Americans than those who believe it was Adidas? Why are there armies of athletes wearing Beats by Dr Dre headphones on the track (and tweeting about it), despite the brand not being a sponsor? And why did some large sponsors run into trouble? McDonald's, for example, was publicly criticised and had to justify the appropriateness of a high-calorie brand sponsoring the Olympics. This case study examines the branding strategies deployed at the 2012 Games in London and highlights how often unorthodox approaches of non-sponsor brands managed to steal the show through innovative use of social media and public relations campaigns.

By ROBERTO BRUZZONE, VALENTINA CIOBANU, MANJULA CHUMMUN and FRANCESCO FABBRONI

And the winner is: Nike marketed itself better than official sponsor Adida

	CAMPAIGN	ONLINE MENTIONS	TWEETS	FACEBOOK FOLLOWERS GROWTH	VIEWS ON YOUTUBE	% OF AMERICANS IDENTIFYING THE BRANDS AS A SPONSOR
NIKE	Find your greatness	59,000	16,000	11%	5m	37%
VS						
adidas	Take the stage	26,000	9,000	4%	3.2m	27%

Historically, the Olympic Games have been an ideal forum for brands looking to strengthen their global presence. Companies have paid hefty sums for the privilege of being associated with the Games, convinced that no other event in the world offers the unique combination of mass worldwide exposure and fostering of positive values. However, this golden rule of marketing seems to have been turned upside down at the last Olympic Games held in London in 2012.

There is evidence that, in spite of the financial effort, not all corporate sponsorships were as beneficial as expected. Moreover, beyond the heavy investments, brands from the fast-food industry or those adopting monopolistic practices landed in hot water after they failed to justify their association with an event synonymous with health and fair play. And often, it was non-sponsor brands that made headlines, thanks to their innovative campaigns.

To some extent, it is a story about numbers: in 2012, Facebook had 10 times more accounts than in 2008, while Twitter was 300 times bigger than it was at the time of the Beijing Olympics. But, more importantly, social media usage at the 2012 Olympics was at the heart of the Games, a place to comment, share, buy, complain and much more.

In an unexpected turn of events, some of the most visible endorsements of the 2012 Olympics were not delivered by official sponsors. More than a handful of brands managed to attain high levels of global exposure without paying large sponsorship fees through unofficial links with the event.

The success of non-sponsor campaigns is more surprising with London setting strict rules to protect sponsors and prevent ambush tactics. Brands that were not official sponsors could not use ads featuring Olympians during the event, could not mention the London Games explicitly or use imagery related to the Olympic rings.

Amongst the forbidden combinations of words were even generic ones such as 'London 2012', 'summer 2012', 'medals 2012' or 'games 2012. Moreover, Olympics staff were not allowed to wear T-shirts with non-official sponsors. In some cases, nonetheless, the punishment was not clear. Athletes were prohibited from taking part in advertising campaigns during the Games; however, it appeared unlikely a social media offender would suffer severe consequences, as stripping winners of their medals or blocking someone from competing would have been regarded as excessive punishment for tweeting.

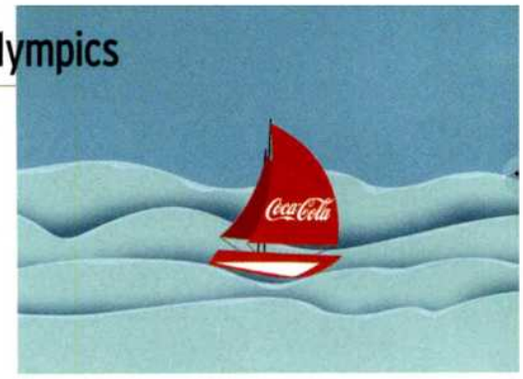
If Social Media Olympics had been in place, the medal winners would have likely been:

Gold Medal: Nike

Nike ran an independent campaign called 'Find your greatness' which featured ordinary people and former Olympians engaged in various sport activities in a number of cities around the world, all called London. The Olympic Games host was not included. Nike broadcast videos with heartstrings-pulling personal greatness stories, and continued the conversation on social media.

Nike smartly ensured that more than 3,000 athletes wore Nike footwear, with viral social media

RAJ VERMA



ONE-OFF EVENTS CAN BE EASILY "HIJACKED"

Managers often wonder whether the huge amounts of money spent on sports sponsoring is worth it. On the one hand, sports events reach audiences unheard of in today's fragmented media landscape. Brands also gain prestige through their psychological association with a sports event or team. Undeniably, Emirates Airlines has benefitted tremendously from its long-time association with the famous football club Arsenal FC and Samsung from being the shirt sponsor of Chelsea FC. The benefits from events like the Olympic Games are less clear. Sponsorship of such events may sometimes backfire (who associates a Big Mac with athletic achievement?), and even benefit competing brands. The case shows that one-off events can be easily "hijacked" while Singapore Airlines cannot "hijack" Arsenal.

What lessons does this present to global brands? How should they treat the unique opportunities offered by global events like the Olympic Games and the FIFA World Championship? First, you do not necessarily have to spend more, just spend it more cleverly. Set up a hijack team and develop a strategy for each event, starting with the 2014 FIFA World Championship and the 2016 Olympic Games. Build and leverage associations with globally recognised stars. Second, help these sports stars build likes and followers. Third, work on improving the transparency of your brand. Social media are a lot cheaper than sponsoring sports events but the downside is that nobody owns them. Fourth, hijacking sports events is not only for Western brands with deep pockets. They can also be used by emerging market companies to push their brands in their home markets and the global market at large.

"Social media are a lot cheaper than sponsoring sports events but the downside is that nobody owns them"

JAN-BENEDICT E.M. STEENKAMP
C. Knox Massey Distinguished Professor of Marketing & Marketing Area Chair, Kenan-Flagler Business School, University of North Carolina at Chapel Hill

presence amplifying its benefits. Although Adidas was the key sportswear sponsor, Nike managed to not break strict Olympic rules by cleverly getting athletes to put on and take off the logo when off / on the tracks. Nike gear was primarily worn around the village and during medal ceremonies.

Silver Medal: Beats by Dr Dre

Beats by Dr Dre used a different strategy and distributed headphones to star athletes for free. The brand tapped into an established habit, with athletes often using headphones to help stay focused and protect them from the noise of cheering crowds. As the brand had gained fame for its coolness, Olympians were quick to adopt them, with many prominent athletes walking out wearing the Dr Dre headphones. Athletes engaged in Twitter conversations not only promoting the brand but also criticising the Olympic Committee for its harsh rules on the branding of the Games.

This unusual move generated much hype that boosted the fortunes of the brand. During the Olympics, retailer John Lewis reported a 116 per cent increase in sales for Dr Dre while competitor headphone sales improved by just 19 per cent. Crucially, this marketing tactic gave Beats by Dr Dre access to a much broader market than its core American youngsters.

It cleverly managed not to violate the rules by first giving out the headphones for free. Additionally, it made the Olympic Committee's own rules work for the brand: IOC does not interfere with athletes' warm-ups, making it inappropriate for them to force Olympians to remove headphones.

Bronze Medal: Subway

The Subway chain had an exclusive fast-food endorsement with swimmer Michael Phelps since 2008 and heavily advertised

the association before the Olympics. The perseverance paid off for Subway: it made an early connection with sport and that over time helped position the brand as a healthier alternative to competitor McDonald's. Subway was also one of the few companies to stand by Phelps after the publication of a photo of the swimmer smoking marijuana, showing a forgiveness that was appreciated in social media. Kellogg's stopped featuring Phelps on its cereal packs after the incident.

Following IOC guidelines, Subway featured its association with Phelps before and after the Games, but not during. Thanks to the long-standing campaign, by the time the Games started, Subway was already profoundly associated with the Olympics. Additionally, its absence during the actual Games meant it was McDonald's that had to defend the fast-food industry and its relationship with a sporting event.

Subway has utilised Phelps to help create a positive buzz about the brand in social media. Before the Olympics, Phelps had close to 300,000 followers on Twitter. By simply sending out a punchy, 140-character tweet saying he was enjoying a Subway sandwich, he helped the brand's image and sales.

At the 2012 Olympics, some brands made it while others didn't. So how is it possible that some brands start with a tweet and become very popular, while others spend millions only to be overwhelmed by criticism?

What makes social media attractive also makes it dangerous: everyone is invited but nobody is in control. Social media offers ordinary people the ability to own discussions, shape a vision, and be an active part of defining and spreading a message.

At the 2012 Games, brands that successfully navigated the young rules of social media achieved one or more of

POWER OF BRANDS COMES FROM THEIR AUTHENTICITY

The London 2012 Olympics were dubbed the first social Olympics because of the power of social media channels surrounding the Games. In many cases, social media provided the means for the so-called hijacker brands to steal the show from actual sponsors. From Danny Boyle's opening ceremony, the view of the 2012 Olympics was micro versus macro: England was portrayed not in a broad sweep, but through a mosaic of touchstones which together add up to national history and pride. As such, the power of brands such as Nike and Beats by Dre came from their authenticity. They connected with people not in spite of being non-sponsors, but almost because they were non-sponsors. People appreciated that behind these brands were leading products which did not require the high cost of sponsorship for their value to shine through.

Does this mean we need to reconsider the entire role of sponsorship as a marketing medium? Not necessarily, but consumers are increasingly aware of the potential for brands to manufacture associations which may not be consistent. Subway's consistent support for Phelps before the Games, even through his difficult period, shone through as an authentic relationship, one which consumers recognised.

All these examples demonstrate that with the advent of social media, sponsorship can no longer be a one-off attempt to associate with an event or brand for a halo effect. Instead, to be successful, the relationship must appear authentic, consistent and real.

"Sponsorship can no longer be a one-off attempt to associate with an event or brand for a halo effect"

NINA BIBBY
Chief Marketing Officer at Barclaycard

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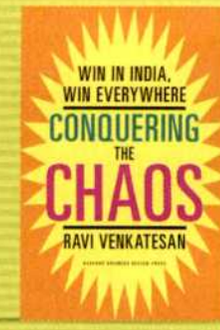

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the following:

Resonate: With Find Your Greatness, Nike told the story of normal people, allowed them to have a central role in the initiative and offered them a platform to construct and deliver their message.

Surprise: For Adidas, it was not the well-constructed TV ad that drove most views on YouTube, but David Beckham's appearance at Westfield that took fans at the Adidas Olympics photo booth by surprise.

Help: Beats by Dr Dre appealed to athletes' need for cool headphones. It fuelled a conversation on the ground, showing its understanding of the fact that the most powerful messages are bred by people's presence and involvement.

Delight: With 86,000 people engaged with its Home Advantage hashtag on Twitter, British Airways managed one of the highest sponsorship awareness levels among top sponsors. Experiential projects like Park Live and Great Britons pop-up in Shoreditch in east London, aptly amplified in social media, helped the airline reach a broader, younger audience during the Olympics.

It is not just the success stories that provide guidance for future sponsorships, there is also a lot to be learnt from tactics that did not fare particularly well. Social media participants have no qualms about rejecting propositions that are considered inappropriate, lack value or are too commercial. The broader learning points, therefore, are:

Make sure you belong: McDonald's, Coca-Cola and Cadbury's were high-paying companies, but had to spend time justifying their role as the appropriateness of high-calorie brands sponsoring the Olympics was challenged by several British organisations.

Be generous, not selfish: Ethical principles and behaviour are now heavily scrutinised. In social media, and even more so in the context of the Olympics values, brands are expected to be fair and at least accept, if not promote, healthy competition. Highly visible sponsor Visa received unfavourable media coverage, with the brand considered 'cynical' for banning rival cards from the Olympics. Visa had to invest a lot of resources on a damage-limitation exercise.

Money is not everything (anymore): It is now common knowledge that communication is no longer about pushing a message down people's throats. Controlling advertising space with significant financial means is unlikely to be as effective as it was in previous decades. Stories of small David-type brands winning in social media in the face of large budget Goliath-type organisations are becoming ubiquitous. ◆

(This case study is from the Aditya Birla India Centre of London Business School.)

What can we learn from the strategies adopted by companies that leveraged the London Olympics without actually being a sponsor of any event at the Games? Post your comments at www.businesstoday.in/casestudy-olympics. The best response will win a copy of **India Inside** *by* ***Nirmalya Kumar*** *and* ***Phanish Puranam****. Previous case studies are at www.businesstoday.in/casestudy*

BEST OF THE LOT

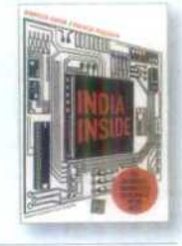
BT receives many responses to its case studies. Below is the best one on IKEA in the issue dated July 21, 2013

Couching Tiger Tames the Dragon

How IKEA's Strategies Differ in Europe and China

Sabyasachi Mitra is an IIM graduate and a banker

As Ikea prepares to enter India it could learn from its experience in China. There are bound to be some similarities in both markets but there will be dissimilarities as well, specially because of the time gap. Ikea entered China in 1998 , more than 15 years ago. So, Ikea cannot blindly follow the strategy of China while setting up its operations in India. First, let us talk about likely similarities. Pricing: Ikea in all probability will not be able to price its products below the price of local retailers in India. So it cannot position itself as a low-cost furniture, it will be better to position itself as an affordable priced product. Indians will require functional and adjustable solutions like the Chinese. Like in China, apartments in India are small and require space-saving solutions.



Coming to the likely dissimilarities, when Ikea entered china in 1998, it faced the problems of high import tax; if it were to enter China in 2013, it would have found that the taxes have reduced. When Ikea enters India in 2013, it will find friendlier taxes which will allow it to import products which it cannot produce in India . To start with Ikea can have an 80:20 proportion of imported items, it should gradually try to increase the share of locally manufactured products from two per cent to 70 per cent in the next four years. In India, Ikea will find a different culture in each state. In China, Ikea did not have to adapt to so many varying cultures.

Mitra wins a copy of **India Inside** *by Nirmalya Kumar and Phanish Puranam*

BULWARK
THE LOCK-IN PERIOD IN CLOSE-ENDED FUNDS MINIMISES UNEXPECTED REDEMPTIONS AND ENABLES THE FUND MANAGER TO EARN THE BEST RETURNS

SANTOSH

Small Blessings

The pros and cons of investing in close-ended funds focused on stocks of smaller companies. By DIPAK MONDAL

In the six months to August 30, the Bombay Stock Exchange small-cap index fell over 16 per cent and the mid-cap index 15 per cent compared to just a 1.3 per cent and four per cent fall in large-cap indices such as the Sensex and the Nifty, respectively.

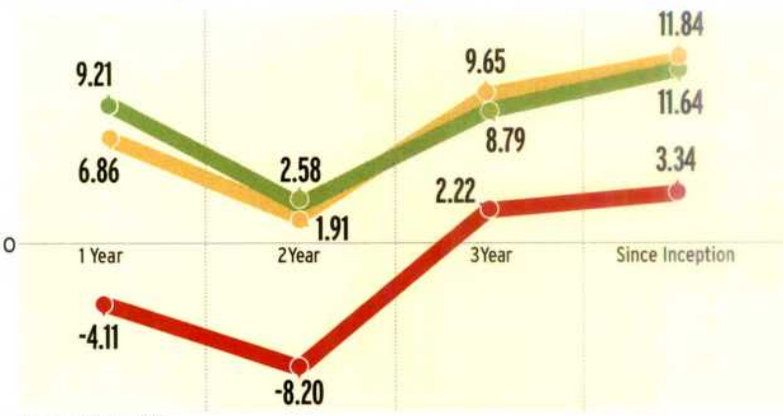
The reasons were India's growing trade deficit, the falling rupee and fears over the slowing down of the US's liquidity injection programme. Investors have been doing what they do in such situations – investing in large companies that can sail through bad times without too many bruises. Stocks of smaller companies are being rapidly sold off.

However, the sharp market decline of such companies means many small- and mid-cap stocks are now available at low valuations. Mutual fund managers, too, say this is an excellent occasion for investors to lock-in money in good small- and mid-cap stocks. That is why many of them are launching close-ended equity funds that invest in stocks of smaller companies. But since investments in these companies require time to mature and give decent returns, these funds have a lock-in period during which investors cannot withdraw the money.

IDFC Mutual Fund has launched IDFC Equity Opportunities Series 1. Two more funds in the series (Series 2 and Series 3) are awaiting the approval of the Securities and Exchange Board of India. ICICI Prudential Value Fund Series 1 and 2, L&T Emerging Business Fund and Axis Small Cap Fund are some other such close-ended small and mid-cap equity funds.

Ups and Downs

Medium-cap funds match the returns of large-cap ones, but small-caps lag behind



Most of these funds have a lock-in of either three or five years. However, investors can sell the units on stock exchanges where these funds are listed. Units of a close-ended fund are sold for a limited period and cannot be redeemed with the fund house before the lock-in ends.

Advantages

"Small- and mid-cap funds tend to move sharply. It has been seen that when they make sharp upward moves, investors are quick to redeem and book profit. This hurts investors who stay on. Plus, it limits fund managers' ability to take long-term bets on good stocks as they have to keep selling a part of their holdings to meet redemption requests," says Himanshu Pandya, Senior Vice President and Head (Product and Communication), ICICI Prudential Mutual Fund.

A close-ended fund does not have these problems. A lock-in period gives the fund manager scope to hold a "beaten down" stock for a longer period to earn the best returns. This protects the interests of long-term investors as well.

The close-ended nature of these funds solves another problem. Small-cap stocks are often illiquid, that is, selling them is not easy. The lock-in period takes care of this by minimising unexpected redemptions. This is a big problem for fund managers of open-ended funds, where investors can take out money any time they want to. So, in case an open-ended fund gets a large redemption request, the fund manager may have to sell illiquid stocks even at a loss.

In contrast, fund managers of close-ended funds hold stocks for longer periods and churn portfolios less frequently. This is evident from the portfolio turnover ratio of existing close-ended equity funds, which are mostly tax-saving funds. A low turnover ratio means a lower expense ratio, as every time a fund manager makes a transaction he pays brokerage fee and securities transaction tax. A turnover ratio of 20 per cent means the portfolio is changed completely in five years. A ratio of 100 per cent means the portfolio is changed totally once a year. Expense ratio is an annual fee charged by the fund manager from investors.

Performance of existing close-ended funds

	1 Year	2Year	3Year	Since Inception
Tata Tax Advantage Fund-1	9.14	5.05	10.68	8.08
UTI LT Adv Fund-II(G)	8.22	2.76	10.26	7.86
IDFC Tax Saver(G)	16.34	5.04	9.68	8.07
UTI MEPUS	10.88	3.98	9.48	21.01
UTI LT Adv Fund-I(G)	8.09	0.13	6.60	3.83
ING RetireInvest Fund-I(G)	5.65	-0.77	5.16	2.88
Religare Invesco AGILE Tax Fund(G)	12.74	6.78	4.21	-3.35
Escorts Infrastructure Fund(G)	-26.41	-23.02	-13.61	-14.44
ICICI Pru R.I.G.H.T Fund(G)	14.33	8.79		11.13
L&T Long Term Advantage Fund-I(G)	2.52	-2.82		16.91
Tata Infrastructure Tax Saving Fund(G)	-4.91	-9.43		5.85

All figures in %; returns as on July 11, 2013

Source : Accord Fintech

Low Valuations, Really?

Since the start of June, the BSE Small Cap index has been trading over 30 times trailing 12-month earnings. The average price-to-earnings (P/E) ratio since January has been 24, too

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high for small-cap stocks. Even the price-to-book value (PBV) ratio is more than one (1.18 times). The PBV ratio compares a stock's price to its value in the company's books. It gives an idea about whether investors are paying too much for what would be left with if the company went bankrupt immediately.

With ratios as high as these, are small-cap stocks cheap? "A sharp fall in mid- and small-cap indices does not mean that all stocks are available at low valuations. Valuations are stock-specific and investors have to be very selective while picking stocks," says Dipen Shah, Head, Private Client Group Research, Kotak Securities.

Despite the high P/E ratio of the BSE Small Cap index, small-cap stocks such as Development Credit Bank, Suven Life Science, Ashoka Buildcon and VA Tech Wabag are available at low valuations. However, some experts advise caution. "The Indian stock markets may still fall eight to 10 per cent from these levels. If that happens, even large-cap stocks will take a beating. This will make them more attractive than mid- and small-caps," says Aviral Gupta, Founder and fund manager, Mynte Advisors. Gupta has worked with both foreign and domestic institutional investors.

"It is true that small- and mid-cap stocks have taken a beating recently and are available much cheaper than they were six months ago, but we do not know if their downward journey will stop here," says P. V. Subramanyam, a financial market expert.

Limitations

As close-ended funds can be subscribed only during a limited period, one can invest only a lump-sum amount and not through a systematic investment plan (SIP).

Conditions Apply

Basic features of close-ended funds

MINIMUM INVESTMENT

₹5,000

LOCK-IN PERIOD

1-5 years

SIP OPTION

Not available

LISTING ON EXCHANGES

Permitted

PREMATURE REDEMPTION

Only through exchanges

Investing in small- and mid-cap funds is anyway risky and not having the SIP option increases the risk. Lump-sum investing means investors have to get the timing of the investment right, and past experience shows it is very difficult, if not impossible. "Investing in small-cap funds through close-ended schemes is not recommended as timing the market is difficult. If you enter the fund at the wrong time you will end up losing most of the capital since the risk of investing in small-cap stocks is much greater," says Anil Rego, CEO and founder, Right Horizons.

Another problem is the lock-in period. This means that even if the fund is not doing well, the investor does not have the option to exit.

Though close-ended funds are listed on exchanges, the trading volume is low, making it difficult for investors to exit through this route. Besides, the price of funds in the secondary market is affected by secondary market volatility. If the units are trading at a discount to the net asset value, it will hurt the investor when he sells.

In spite of the risks associated with small- and mid-cap funds and weak market sentiment, one such fund, IDFC Equity Opportunities Series 1, got a huge response from investors. The fund garnered ₹240 crore during its subscription period. IDFC Mutual Fund spokesperson said the average investment size in the fund was ₹25,000 with some investors putting in as much as ₹1 crore.

Investing in small- and mid-cap funds requires investors to be patient. A close-ended fund ensures they remain invested till the lock-in period is over. However, non-availability of the SIP option means timing of the investment has to be correct for the investor to make decent gains. ◆

Courtesy: *Money Today*

UCO BANK: PURSUING RESPONSIBLE BANKING WHILE BEING FUTURE-READY

The saga of UCO Bank is one of vision and execution, tenacity and growth, accepting challenges and scaling new heights, harnessing human skills and leveraging technology, driving financial intermediation and reaching out to the unreached.

The United Commercial Bank Ltd. (now UCO Bank) was set up by Late G D Birla, the doyen of Indian industry in Jan' 1943 with its Registered and Head office at Kolkata. After 25 years of private ownership, The United Commercial Bank Ltd., along with 13 other privately owned Indian banks were nationalized on 19th July 1969. Subsequently, "The United Commercial Bank Ltd." became "UCO Bank" with effect from 30th Dec 1985 by an Act of Parliament.

During 2003-04, the Bank successfully came out with its Initial Public Offer of 20 crore equity shares of Rs.10/- each issued at a premium of Rs.2/- per share. After the IPO, government holding of the share capital in the Bank came down to 74.98 per cent. Thereafter, consequent to Capital restructurings, the shareholding of the Government of India as on Mar'13 stood at 69.26 per cent.

From being a small Birla enterprise, the Bank today has metamorphosed into one of the leading Public Sector Banks of the country. The Bank is diversified across products and geographies. It has a pan-India presence with more than 2600 domestic brick-and-mortar branches apart from 4 foreign branches in important commercial centres at Hong Kong and Singapore.

To keep pace with the changing business dynamics, the Bank in recent years have taken several steps to retain and increase market share, improve overall organizational efficiency, strengthen control and supervision mechanism and enhance brand equity.

UCO BANK PERFORMANCE (Amts. in Cr.)

	Mar'10	Mar'13	CAGR
Deposit	1,22,416	1,73,431	12.31%
Advance	83,371	1,31,569	16.42%
Business	2,05,787	3,05,000	14.01%
Op. Profit	1,706	3,357	25.31%
Biz/ Emp.	8.85	12.70	12.77%
Book value per share (Rs.)	65.74	97.19	13.92%
Some Important Ratios			
CASA	25.55%	34.96%	11.02%
NIM	2.19%	2.75%	7.89%
CAR (Basel-II)	13.21%	14.15%	2.32%

ORGANIZATIONAL RESTRUCTURING:

Bank has

- put in place a 4-tier structure – Head Office, Circle Office, Zonal Office & Branch Office - with emphasis on decentralization and empowering of field-level functionaries for quick decision making, improving control & supervision and faster expansion
- taken steps to transform general branches from transaction-processing centres to sales and service outlets
- opened Loan Hubs with credit-groomed officers to ensure proper selection of loan assets and faster TAT
- transferred non-customer facing activities to back offices

CHANGING THE BUSINESS MODEL:

Bank has

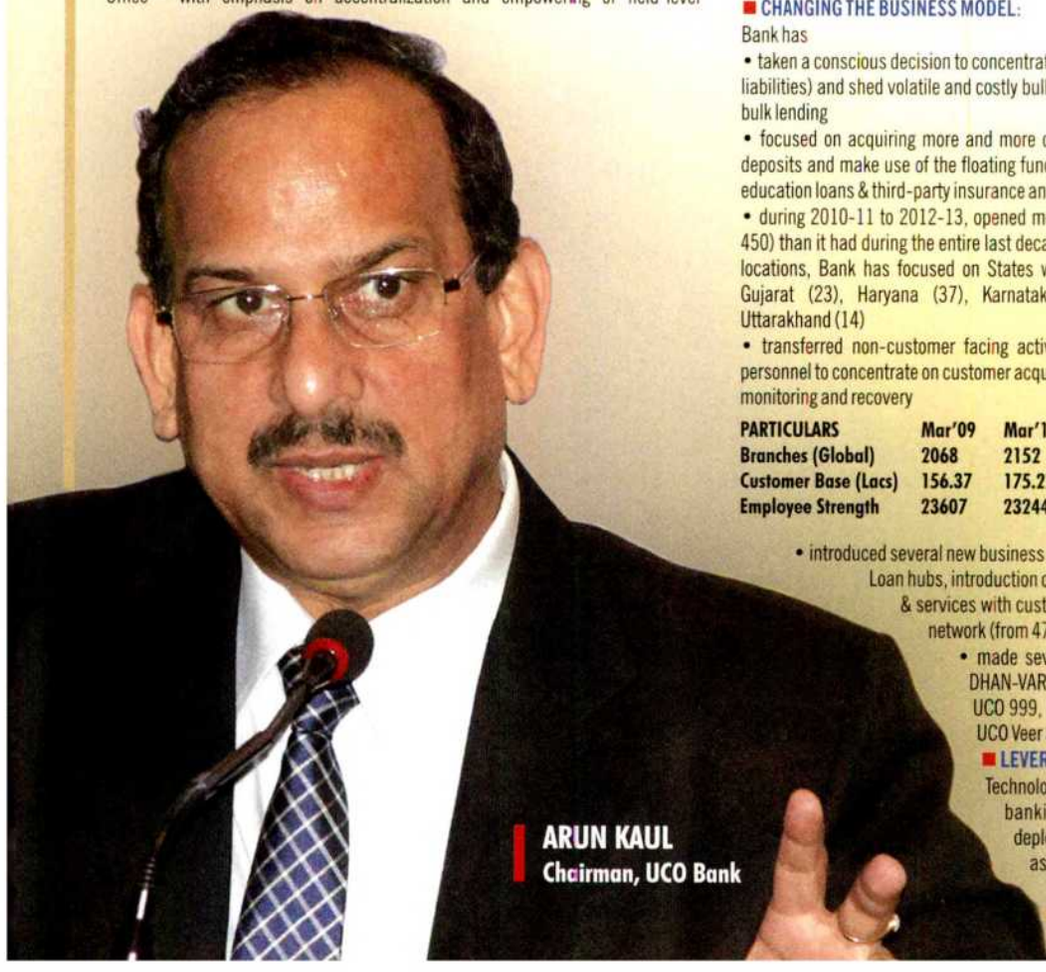
- taken a conscious decision to concentrate more on retail business (both assets & liabilities) and shed volatile and costly bulk deposits and to be very selective about bulk lending
- focused on acquiring more and more customers to a)mobilize low-cost CASA deposits and make use of the floating funds; b) cross-sell home loans, car loans, education loans & third-party insurance and investment products (MF Schemes)
- during 2010-11 to 2012-13, opened more brick-and-mortar branches (around 450) than it had during the entire last decade (443 branches). While choosing new locations, Bank has focused on States with potential like Andhra Pradesh (6), Gujarat (23), Haryana (37), Karnataka (8), Punjab (32), U.P. (46) and Uttarakhand (14)
- transferred non-customer facing activities to back offices to allow branch personnel to concentrate on customer acquisition (both asset & liability side), asset monitoring and recovery

PARTICULARS	Mar'09	Mar'10	Mar'11	Mar'12	Mar'13
Branches (Global)	2068	2152	2206	2394	2614
Customer Base (Lacs)	156.37	175.27	184.20	196.08	223.00
Employee Strength	23607	23244	23026	23147	24109

- introduced several new business initiatives like starting of Retail and SME Loan hubs, introduction of new/re-launching of existing products & services with customer-friendly features, expanding ATM network (from 477 in Mar'10 to 1361 in Mar'13)
- made several smart product launches like UCO DHAN-VARSHA, UCO DOUBLE, UCO TRIPLE ONE, UCO 999, UCO 222, UCO 111, UCO 66, UCO Care, UCO Veer Shakti.

LEVERAGING TECHNOLOGY

Technology forms the backbone of today's banking operations. Bank's technology deployment is second to none in the industry as its aims to -



ARUN KAUL
Chairman, UCO Bank

- live up to the changing demands of the modern day customers
- increase market share
- improve organizational efficiency and profitability.

Some of the customer-friendly IT-based initiatives that Bank has already implemented are Interbank Mobile Payment Service, Direct Tax payment and Third Party Fund Transfer through ATMs, Sales Tax Collection module, "Verified by Visa" facility for on-line transactions & Two Factor Authentication, On-Line Share Trading, sending SMS alerts for all transactions, on-line booking of Railway Tickets.

Besides, technology is being made use of more and more in areas like -financial inclusion, loan processing (LAPS), treasury operations, risk management, back office operations, monitoring of branch and zonal offices, data mining and analytics, personnel functions like on-line submission of PAR, imparting off-site trainings, preparing case studies from records of branch functioning, etc.

Amongst Bank's future plans for improved service delivery, effective control & supervision, improving productivity & profitability with the help of IT, are:

- CBS Roll out at Overseas Centres in Hong Kong and Singapore
- Putting in place sophisticated Customer Care Centre offering a 24x7x365 voice and data based customer service. Bank proposes to have two Customer service centers, one at Kolkata and the other at Bangalore
- Installing Bank's own FI gateway & central Authentication server
- Implementing an integrated treasury solutions with straight through processing between Front Office, Mid Office, Back Office etc. which will address the entire

business need of Bank's Treasury department

- Automated Data Flow to RBI
- Centralized solution for internal MIS
- IT-enabled Credit & Operational Risk Management System.

■ HR INITIATIVES:

Bank has given special thrust to invigorate the Human Resource by

- inducting young professionals (CAs, MBAs, IT professionals) and Probationary Officers. Percentage of officers below 30 years which was 7.67% as on Mar'10 has risen more than 3 times to reach 23.40% as on Mar'13 and those between 30 years and 45 years from 8.86% as on Mar'10 to 13.72% as on Mar'13 strengthening / recasting of Bank's training system to
- develop domain knowledge in different spheres of Bank's activities
- build Managerial and Leadership competencies among employees
- putting emphasis on skill development of employees through continuous training and re-training. Mention may be made of a special skill development programme named 'CHETNA' to impart soft skills to front-line office staff at branches and "JAGRITI", an internal IT awareness training programme for staff members throughout the country
- recognizing performers
- introducing "UCO Sujhao" scheme to elicit new innovative ideas/ suggestions from employees across the country with diversified customs & traditions, demography and banking habits for betterment of Bank's operations
- maintaining cordial relations between the Management and the Unions/ Associations.

■ ASSET MANAGEMENT AND NPA RECOVERY

The Bank follows two-pronged strategy to tackle the issue of bad loans. On one hand the genuine defaulters are provided hand-holding support to tide over the crisis while on the other, Bank vigorously pursue various recovery channels like holding frequent recovery camps at all branches, organizing Lok Adalats, arriving at

compromise settlements, sale of assets, taking recourse to SARFAESI Act. Besides, the names of 'Wilful Defaulters' are put up on the RBI Defaulters' List to bring them to the negotiating table. Side by side the Credit Monitoring department has been tasked to vigorously control and monitor the health of the loan assets and put out early warning signals wherever appropriate.

Bank also strengthened its Risk Management practices by adopting latest Risk Management techniques.

■ SOCIAL BANKING

The bank has been a pioneer in providing banking services to unbanked villages under its Financial Inclusion Plan. By March'2013, UCO Bank had covered 1703 unbanked villages with more than 2000 population and 2376 villages with less than 2000 population. The bank has also opened around 800 Ultra Small branches (UCO Mitra Shakhas) in such villages. Simultaneously, the Bank has put in place twenty six Financial Literacy & Credit Counseling Centres (FLCCs) in the states/UTs of Chandigarh, Punjab, Himachal Pradesh, Orissa, Assam ,Bihar, Rajasthan and West Bengal to provide financial literacy education.

Bank have started "UCO Utthan" – a scheme through which villages having a large number of BPL families in underdeveloped districts of the country are adopted by the Bank through its nearest branch to bring the BPL families out of the clutches of poverty and bring about a holistic change in the quality of lives of the villagers in collaboration with other stakeholders viz. government, civil society and community-based organizations to ensure 'development from below' and all-round improvement of the villages.

■ CONCLUDING REMARKS

The Bank's aim is to ensure more engaging experience with the customer and build a long-term relationship with her/him. The Bank strives to become a one-stop solution provider for all her/his financial needs – insurance, investment and loans. The Bank practices a complete account-centric approach of acquiring a customer at an early stage and then build a long-term relationship, offering different products and services suitable for different stages of her/his life.

The Bank will now forge ahead leveraging on its technology prowess, pan India branch network, 24000 strong dedicated manpower and 70 years' intimate

knowledge of an emerging giant called India. As India grows so will UCO. It remains steadfast in its commitment to make UCO a world class financial institution trusted by customers and investors, admired by peers, cherished and nourished by its proud employees.

LAST BUT NOT LEAST

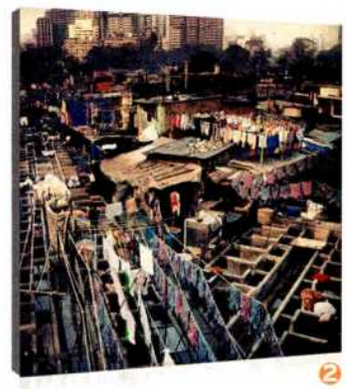
RIGHT CLICK 119 BOOKS 125 PEOPLEBUSINESS 130

Instagram for Instafame

Indians too are hooked to this photo sharing site, which has become a rage across the world. By **NANDAGOPAL RAJAN**

Instagrams by **ADITYA KAPOOR** using an iPhone 4

1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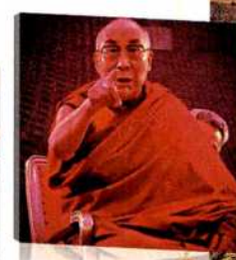
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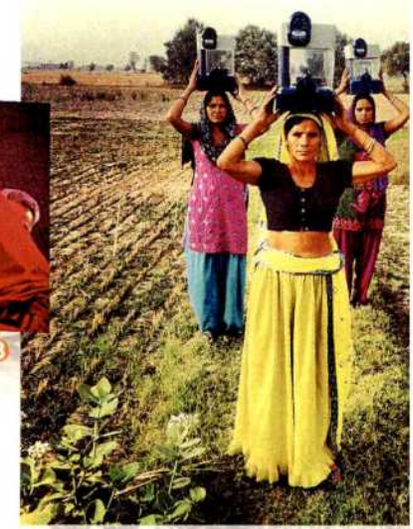
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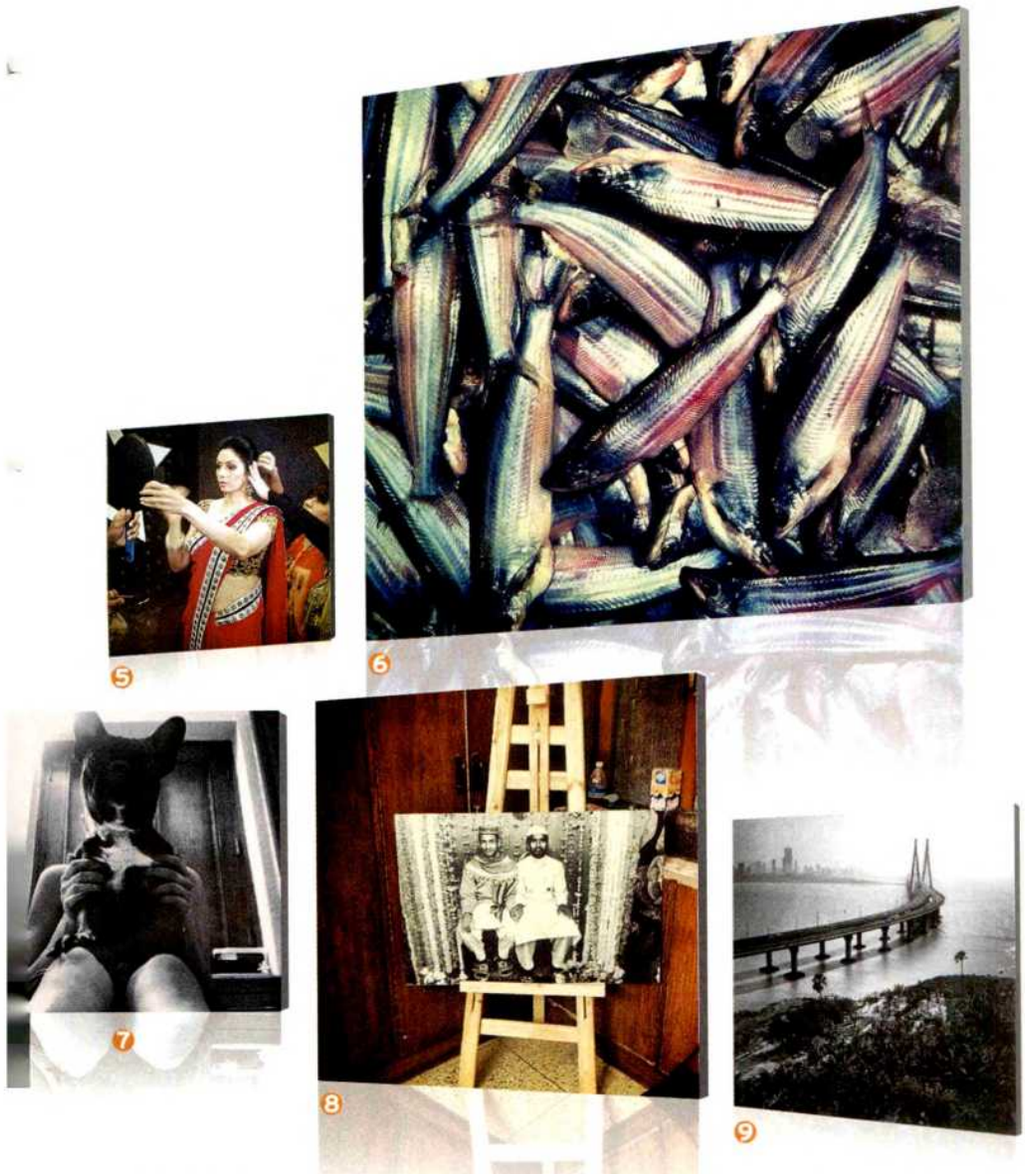
If you thought rose-tinted visions of life don't pay in the end, you obviously have not heard about Instagram. This online photo, and recently video, sharing network has become so popular it has a cult following big enough to sustain a new stream of photography, complete with its trademark square frames and film camera-inspired filters. Instagram is also an instant shot at fame, provided that picture of your last meal or latest shirt is able to capture eyeballs within the few minutes it is on timelines across the globe. Success and failure are both instant here.

So, what makes Instagram click? Soujanya Bhumkar, CEO of photo aggregator app Cooliris, says it is all about its simplicity and speed. "It took away the decision about what you had to share and made everyone a photographer. It has changed the definition of consumer photographers," says the California-based entrepreneur. "We always use them as an example. It chose not to complicate things and kept everything simple. It also hasn't lost focus."



1. Auro Beach, Auroville, Pondicherry 2. Dhobi Ghat, Mumbai 3. An image of the Dalai Lama 4. On the Jaipur highway, Rajasthan 5. Actor Sridevi in Delhi
6. Fish market, Chittaranjan Park, Delhi 7. Dog on its owner's lap, Delhi
8. Photo Exhibition, Delhi 9. Bandra-Worli sea link, Mumbai

Filters used: Amaro, Rise, x-pro II, Willow, Early bird & Inkwell

Instagram started in October 2010 as an iPhone-only app. A year later, when it was named iPhone app of the year, it had become popular enough for people to start using the term iPhonography for pictures clicked with the app. But the world really took notice when Facebook bought Instagram for $1 billion, about a quarter of the social networking giant's cash in hand before its IPO.

Tim Shepherd, Canalys' global research lead for apps, says it is difficult to divorce thinking around Instagram from Facebook. "There is a sizeable app ecosystem developed and developing further around Instagram ... But there is also a sizeable ecosystem around Facebook, and as integration between Instagram and its parent organisation (and proposition) improves, this is only likely to extend," he says. He adds that Instagram must be considered within the context of Facebook's mobile strategy. "Ultimately, targeted mobile advertising looks likely to be the primary means of mon-

GLOBAL CULT
Instagram's reach

130 million monthly active users

Over **50%** users outside the US

16 billion photos shared

1 billion likes daily

45 million photos uploaded per day

Source: Instagram

etisation. As a mobile proposition, they may though, also look to leverage the freemium model with payment charged for the use of new features and social tools."

Instagram was not an early hit in India, where the iPhone is still a top-end phone. But with Apple making the phone more affordable and with Instagram available on Android, more Indians are getting hooked to the app. Instagram did not provide the number of users in India, but Shepherd estimates it to be in the "low single-digit millions". Among them are self-confessed Instagram addicts such as Bangalore-based social media manager Abdul Basith. "I started with Instagram when I got my first iPhone about two-and-a-half years ago. Incidentally, my first picture was of my shoes. I lost interest in between, but then got hooked again and the likes on my photos became an addiction. For a year, everything I saw was through the square 1:1 frame," he says. Basith's Instagram moment came when one of his photos got picked up by Mashable. "Then VJ Nikhil Chinnappa, one of my Instagram followers, tweeted I was one of the best iPhonographers in India."

While Basith was inspired enough by his success on Instagram to invest in a DSLR, Mumbai-based photojournalist Chirag Wakaskar uses the app to get feedback for his pictures. "Otherwise our pictures are viewed only by our editors. We photographers too like appreciation and feedback," says Wakaskar, who adds that the camera is still his first choice. At the other extreme are users such as Jaipur-based language expert Priyanshu Sharma, who uses the app as a mission to provide a good picture of India to the world. He has been successful and is one of the most followed Instagrammers out of India. "Most of my followers are not Indian and I make sure the world is seeing what I am in my country."

Along with its 130 million (see *Global Cult*) followers, Instagram has also spawned hundreds of apps such as Hipstamatic that cater to the need for more filters and tweaks that will capture attention in seconds. One of them is ToonCamera by Code Organa, which has over three million users globally and "a few tens of thousands" in India. "Instagram has become the top sharing option within our app for images, edging out Twitter and Facebook recently," says Mike, a partner in Code Organa.

The prints and products ecosystem prevalent in countries like the US is also finding ground in India. Mumbai-based photographer Vipul Arora started *thesmilestore.wix.com* after he failed to find any takers for 4x4 prints of his Instagram pictures. "The shops that did this were charging a premium as they had to print on larger paper and cut it to this size," says Arora, who launched the online photo printing service for Indian Instagram users this February. "Instagram is not as popular here as in the US. But I still manage to get around 30 orders a month," says Arora, who charges ₹249 for a set of 12 prints. He has outsourced all his work to a printer and has launched other products like calendars and postcards too.

While media giants such as Time magazine and *The New York Times* use Instagram successfully, a range of companies from shipping giant Maersk Line to fashion house Oscar de la Renta use the app to reach out to their audience. Indian brands are likely to follow once the app's popularity grows. But entrepreneurs such as Mumbai-based Smita Rajagopal already use it to "leave a big digital footprint". Rajagopal, who has a weakness for the Amaro filter on the app, says following creative people and seeing what they capture is what draws her to the app. So, have you instagrammed yet? ◆

Send your comments to editor.bt@intoday.com

HOLD OF THE HASHTAG

Unlike Twitter and Facebook, where hashtags link your thread with similar ones, on Instagram they are crucial for getting likes and new followers

THE TOP 5#

LOVE
250,360,252

INSTAGOOD
134,561,633

ME
116,177,178

CUTE
101,871,198

FOLLOW
101,234,963

Source: web.stagram.com

VIDEOGRAM

Two months ago, Instagram spread its wings beyond photos by launching a 15-second video posting feature. In the first 24 hours, about five million videos were uploaded. Instagram peaked around 40 hours of video a minute.

NANDAGOPAL RAJAN

All Aboard the Cyber Coach

Providing affordable handsets with web access is now the key focus of manufacturers

Towards the end of 2011, the main focus of a Nokia offsite in Udaipur was on connecting the next billion. It was for the first time that the Finnish mobile giant was showcasing the Asha, a feature phone that was smarter and more connected than anything that had come before it. It has since become a success story globally – Nokia claims it is the largest selling handset in at least 25 countries.

In India, more people are now accessing the Internet through mobiles rather than PCs, thanks to smartphones becoming cheaper, and handsets such as the Asha and Samsung's Java-based Rex lowering the barriers for web access. The Asha exploits a weakness in the Android line-up, which was essentially created for phones with high-end specs. On a cheaper phone it is a bit like tying an elephant in a cowshed. The old S40-based Asha phones and the new series know they have been made for low-spec phones but try and make the best use of what they have. The smart feature phones are also much easier to use for people who are not that tech-savvy.

But with the lure of the Android being so strong, you need a compelling product to sway people's buying decisions. From its experience with the first set of Asha devices, Nokia thinks it can give a "competitive experience" with its new full-touch phone starting with the new Asha 501, which costs around ₹5,000.

Apart from the handset cost, there is also the charge of using it. Can someone able to afford only a ₹5,000 phone foot a monthly data bill of, say, ₹500 which the always-connected Android would cost? Maybe not. Thus, the Asha phones come with browsers that compress data usage to as much as a tenth. They also offer operator billing to ensure that the lack of a credit card does not act as a hurdle in the purchase of apps. Sari Harju, Director, Mobile Phones, Nokia India, says the company's strategy of giving one-touch access to the store has started working. Recently, when the Nokia Store announced that it had crossed two billion downloads in India, it was quick to emphasise that half of these had come after the launch of the first Asha phones a year ago. You can run a lot of apps on the Asha 501, with a decent overall experience.

Is this, however, good enough to make entry-level users spend yet again on in-app purchases? Such buys are mostly impulsive and if customers are required to fill in card details the transaction is invariably not going to be completed. With card penetration still very low in India, mobile vendors are pushing for operator billing to ensure this revenue stream does not dry up. It is true many users, especially in the entry segment, still don't bother to access the store. Nokia is baiting them by pre-loading some high-engagement apps that promote the store as a destination for more such products. The strategy seems to be working – over 50 per cent of downloads from the store these days are to S40 phones.

And now with Microsoft buying Nokia, it remains to be seen whether the Asha will continue to be in focus. For Microsoft it would make more sense to reduce the price of Lumia phones, maybe to $100 levels. It is also logical as last quarter, for the first time ever, more smartphones were sold globally than feature phones. But feature phones will continue to have a market for another five years. Those users would be better off with a smarter device like the Asha.

There is no doubt that feature phones are becoming smarter to counter the growing popularity of cheaper Android devices. Android, meanwhile, is trying to eliminate the other big barrier for adoption of smartphones – language. Samsung, undoubtedly the top Android vendor, has set the stage by launching Indian language support for a host of middle and top-end Galaxy devices. Vineet Taneja, Country Head, Samsung Mobile and IT, sums up the move: "The flexibility of interacting with a device in your native language can encourage consumers to explore and adopt." ◆

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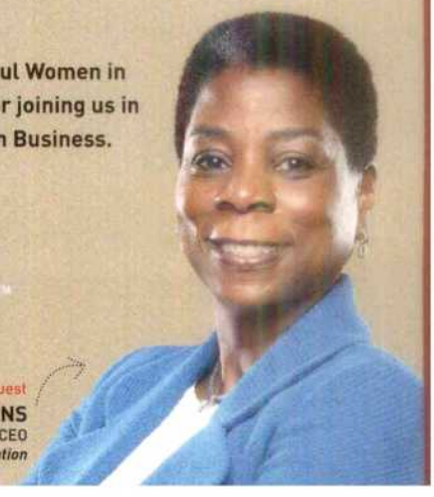

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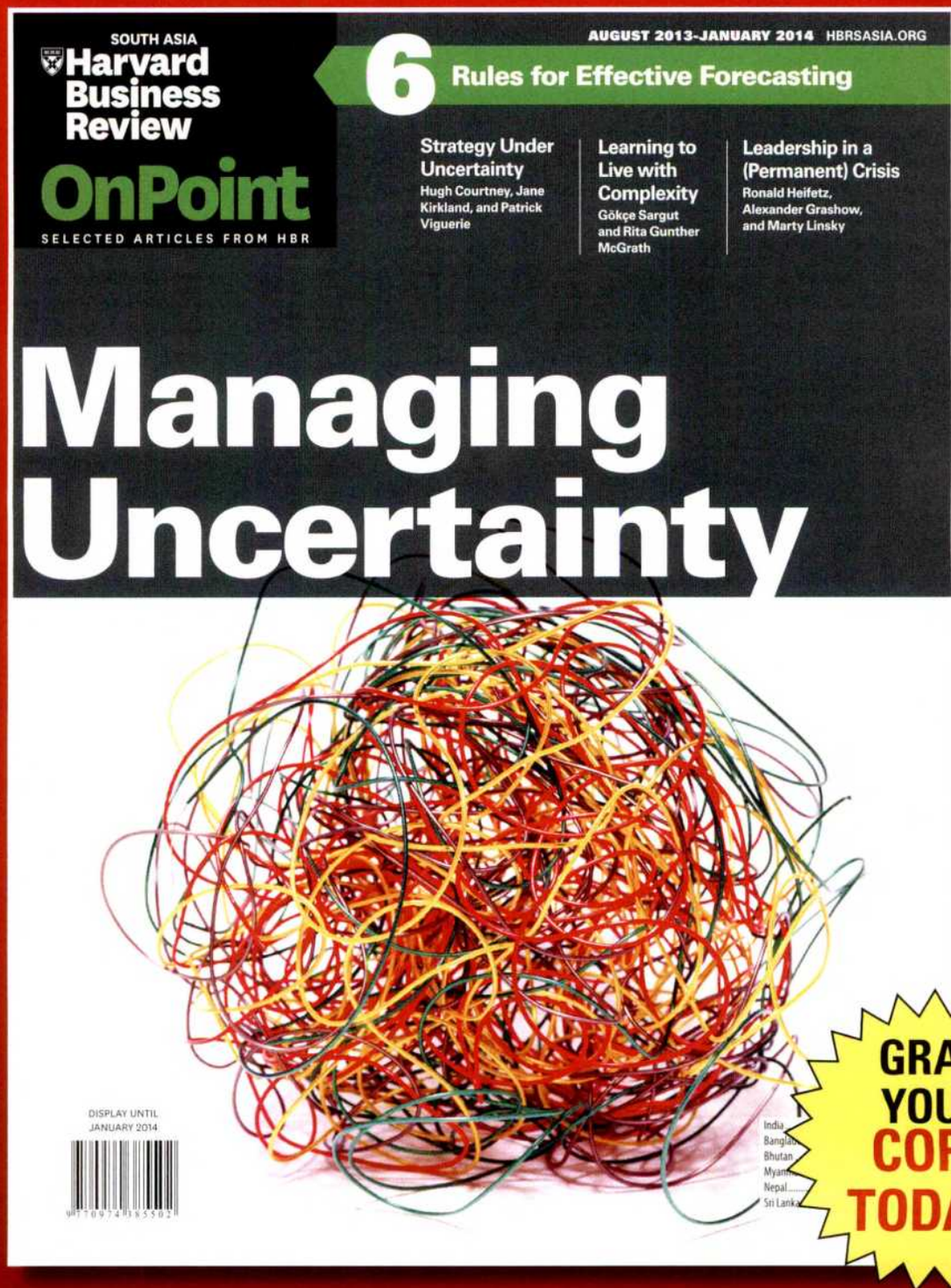

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SHAMNI PANDE

You Are What You Wear

The way you present yourself at work impacts your career prospects

First name: Mess. Second name: Hot', was the message emblazoned across the T-shirt front of a young executive attending a Saturday office brunch meeting. The dress code was indeed 'casual', but wasn't this a little too casual? A senior executive acquaintance of mine, who attended the lunch, certainly thought so. He had been toying with the idea of offering the executive a project to work on, but now felt unsure whether the person was mature enough to handle the responsibility.

If the young executive represents one end of the spectrum, at the other are the likes of Yahoo! CEO Marissa Mayer, who routinely wears designer labels to work and is always immaculately turned out. Which of these is preferable? Should the clothes people wear to work matter at all? Most agree that clothes do matter and there is a crying need for better grooming and dress etiquette at the workplace in India.

To some extent, choice of work clothes varies according to the industry a person is in. Some work environments are more casual than others. But still, people often get it wrong, says Shital Kakkar Mehra, author of *Business Etiquette: A Guide for the Indian Professional*. The book has been selling very well, going into reprints. Consulting firms, pharma majors and some multinationals have been consulting her to articulate a dress guide for their employees.

Mehra says she often gets calls from top CEOs. "One CEO wanted me to counsel a very competent chief financial officer who was indifferent towards dressing appropriately," she says. This was becoming an embarrassment for the company as the CFO was required to be part of negotiating table while striking deals and even had to travel overseas.

Plain hygiene matters too. Often people are heard complaining about habitual offenders in this respect among them, making comments such as: "Can't someone buy that guy a fresh pair of socks?"

SANTOSH

Sloppily dressed people often lose out on professional advancement without even realising why they did so. "It's important to look the part," says a top headhunter, focused on CEO-level mentoring and recruitment. A company head recalls that he was actually asked to change the way he dressed if he wanted to take on a larger role.

Indeed, there is research on the subject. Sylvia Ann Hewlett, Founder and President, Center for Talent Innovation, a New York-based think tank, points to the results of a survey of more than 1,000 people in her *Harvard Business Review* (HBR) blog. The poll has both men and women agreeing that poor grooming detracts from "executive presence". "Half the women surveyed and 37 per cent of the men considered appearance and 'executive presence' to be intrinsically linked; they understood that if you don't look the part of a leader, you're not likely to be given the role," writes Hewlett.

Generally, women tend to take more pains over dressing appropriately than men. "However, both genders flounder when it comes to casual dressing," says Mehra. The big tip here is that casual dressing is no excuse for poor hygiene, lack of grooming or sloppy attire.

Many, however, continue to believe that clothes do not/should not matter. They call those who try to correct them 'snooty' or 'dress-obsessed'. Even in the creative industries where casual dressing is the norm, the yardsticks change when, say, presentations have to be made.

Overall, it is always better to err on the side of formal dressing rather than informal. No one will accuse you of being obsessed with taking showers or wearing crisply ironed shirts. ◆

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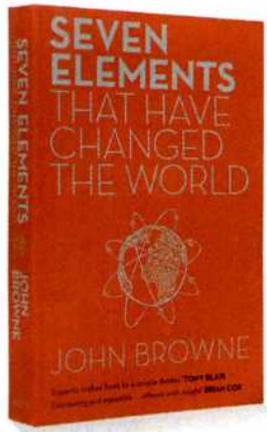
Elemental Power

How iron, carbon, gold, silver, uranium, titanium and silicon have affected history



Seven Elements That Have Changed the World
By John Browne
Weidenfeld & Nicolson
Pages: 304; Price: ₹499

France's invasion of the Ruhr in the early 1920s led to the remilitarisation of Germany, which spurred aggressive moves by Hitler and ultimately led to the Second World War. Coke-rich Ruhr was crucial for fuelling Europe's iron and steel industry.

Politics over control of oil, a hydrocarbon, has led to major wars, starting with the 1973 Yom Kippur War between the Arabs and Israel and later the Iran-Iraq war and Iraq's invasion of Kuwait.

The splitting of the uranium atom led to the atomic bombing of Hiroshima in Japan.

These momentous events resulted in great global changes. At the base of such geopolitics and conflict are some elements whose impact on the course of world history cannot be undermined.

In his book *Seven Elements That Have Changed the World*, John Browne discusses how iron, carbon, gold, silver, uranium, titanium and silicon "have stood out as having most powerfully changed the course of human history". Browne, who was Group Chief Executive at BP from 1995 to 2007, weaves his knowledge of the elements with inventions that happened around them and their impact on business, politics, society and the environment in a masterly manner. The book, dotted with anecdotes from his own life, his experiences at the workplace and his meetings with world leaders, makes for an enriching read.

Carbon formed the base of the energy source – coal – that helped spark the industrial revolution. Silver became an essential ingredient in photography allowing us to capture images of history. Silicon is "arguably the most world-changing of all... placing extraordinary computational and communication power in the hands of everyone". Using readily available sand, the human mind has created something that might one day exceed itself, Browne says.

Gold, Browne says, attracts most, often for no apparent reason. "Gold's allure is timeless and we continue to treat it with an almost religious reverence. No currency is tied to it and no trade is facilitated by it but still we want more of it." Indians would know a bit about this lure. But there is a flip side. "Humanity has committed the greatest acts of cruelty in the quest for ownership of gold. Over half a millennium this precious metal has inspired intense greed, madness and violence, driving people to plunder, kill and enslave."

The destructive power of the elements can be gauged from the effects of the atom bomb, or the carbon monoxide emissions that are causing climate change. Browne reminds that "we are not slaves of the elements, we are their masters".

He also makes an impassioned plea for the redistribution of wealth gained through the use of these elements. "In the face of growing inequality, philanthropy remains a vital mechanism for redistributing the wealth that individuals acquire through their use of the elements," he says.

Finally, here is an interesting aside. Guess who pioneered the concept of pension funds and was also was the first to practise corporate social responsibility? Browne says it was none other than the Indian global conglomerate, the House of Tata. "He (Jamsetji Tata) was the pioneer of pension funds, accident compensation and equal rights... A century before Western business had defined corporate social responsibility, enlightened self interest and triple bottom line, he had already got there. Tata knew that consideration of society must be integral to every aspect of operations." ◆

SARBAJEET KUMAR SEN

A century before Western business defined corporate social responsibility, enlightened self interest and triple bottom line, Jamsetji Tata had already got there, notes the author

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Job ID: 13636070
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TIBCO Software India Private Limited
General Ledger Accountant
Location: Pune
Job ID: 11900965
Description: Cash reconciliation for multiple bank accounts, for India and other countries, as assigned.

Kranium Hr Services Private Limited
Manager- Accounts
Location: Bangalore
Job ID: 13216842
Description: Managing the entire accounts of the organisation.

Futures Ahead
Manager - Accounts & Finance
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Job ID: 13868678
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Pradeep Singh Kharola, MD,
Bangalore Metro Rail Corporation Ltd

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Up to Speed

The Bangalore Metro Rail Corporation Ltd (BMRCL) has a new boss in **PRADEEP SINGH KHAROLA**, a mild-mannered 1985-batch IAS officer. His career is on a high – the coveted posting follows a Prime Minister's award for excellence in public administration earlier this year. Kharola, 52, thoroughly understands both technology and urban transport. A postgraduate from IIT Delhi, he has, in an earlier stint, headed the Bangalore Metropolitan Transport Corporation, until last year the only profit-making urban transport entity in India. He wants BMRCL's metro system to become fully operational at the earliest. The metro is already running along a small stretch, but Kharola wants to open another 11-km stretch in the next two months. "We want to open the entire 42-km metro under Phase I in less than two years," he says. That will make a big difference to commuters in the southern city of close to nine million.

K.R. BALASUBRAMANYAM

Subrotah Biswas
Director, India & South-West Asia, Logitech

Ball of Fire

SUBROTAH BISWAS wants to change the general perception about Logitech, which began as a computer peripherals company. He wants to spread the word that it has morphed into a lifestyle product provider. The Swiss company recently launched Ultimate Ears, a new range of headphones – with both 'in ear' and 'over the ear' variants, and Bluetooth speakers. The company has also unveiled a new line of gaming peripherals, dubbed the Logitech G series, which includes a variety of keyboards, mice and headphones. A factory in China handles production for the entire Logitech range worldwide. An avid football player from his BITS Pilani days, Biswas, 41, Director, India and South-West Asia, Logitech, also coaches one of the teams participating in the Delhi international football league, which was started by expats and runs from October to February. His team won the division in his very first year as coach.

VIVAN MEHRA

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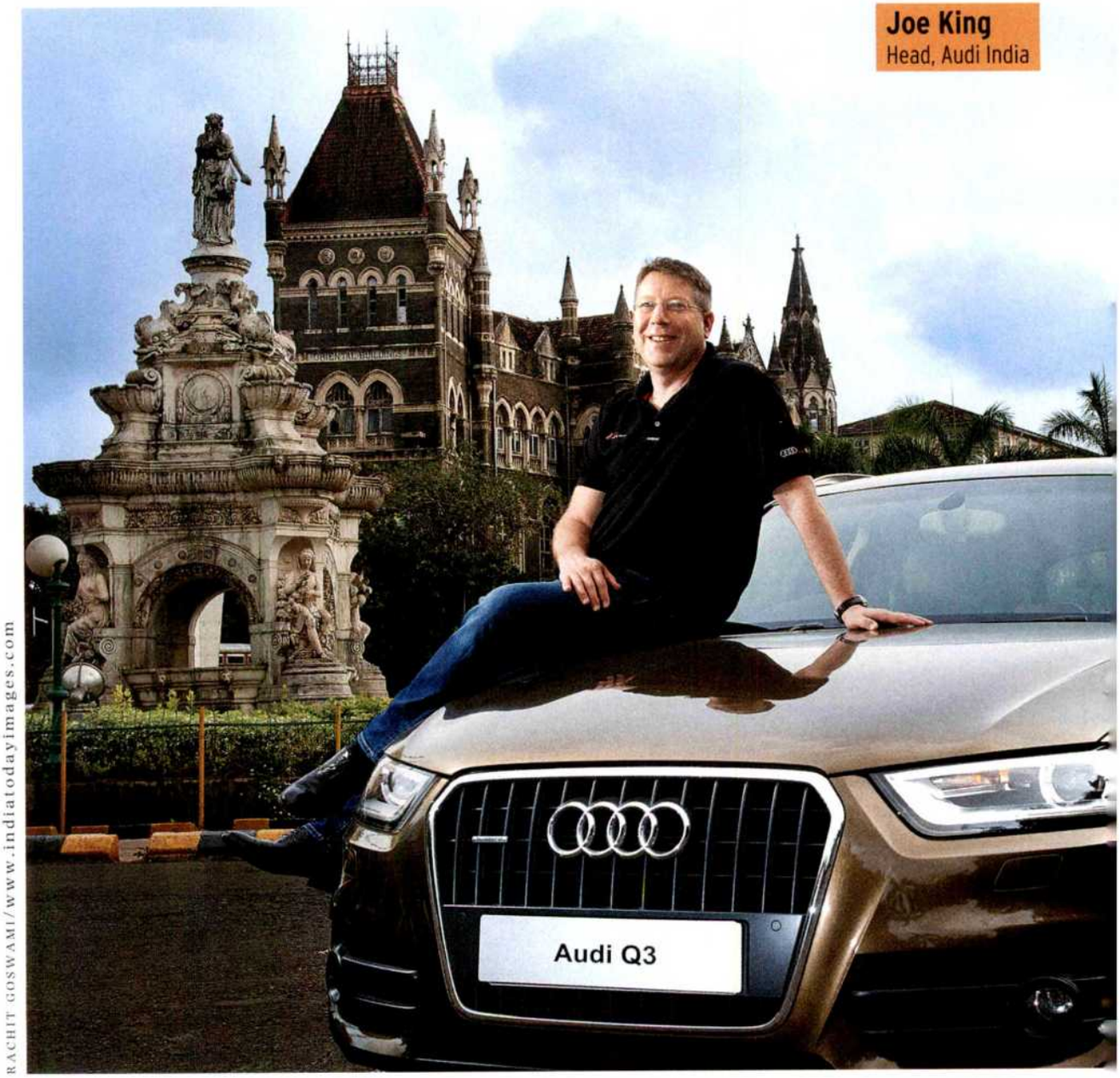


RACHIT GOSWAMI/www.indiatodayimages.com

Good on Yer, Mate

JOE KING has taken over from Michael Perschke as the head of Audi's operations in India. Perschke helped Audi become India's No.1 luxury car maker, but Australian-born King believes retaining that position will be his toughest job yet. "It is often harder to sustain the position than to become No.1," he says, but adds: "If you do the basics well, you can stay there." In his previous assignment as head of Audi in Australia, King's focus was to build customer loyalty. In India, he intends to do the same – concentrate on retail channels and relationships with customers. He finds two striking similarities between Indians and Australians, he says – both love sports and are eternally optimistic.

SUNNY SEN

Appy at Work

There has been one fringe benefit for **SOUJANYA BHUMKAR** since India became a big market for his app, which enables users to browse and share photos from multiple sources. The 40-year-old California-based Founder and CEO of Cooliris now gets to travel to India and meet his family in Mumbai more often. "I am here at least five times a year," he says. The 3D gallery concept of Cooliris, earlier known as PicLens, was initially ahead of its time but later got picked up for Android. "We just let users link all their sources and put in the missing pieces, allowing them to collaborate and share with others." he says. The Cooliris app is now a one-stop-shop for all media files, and will soon have premium features, as well as featured partners, both of which, Bhumkar hopes, will start bringing in money as well.

NANDAGOPAL RAJAN

Soujanya Bhumkar
CEO, Cooliris

SOUNAVA RAY SARKAR

Oil Is Well

His colleagues admire **D.K. SARRAF** for his formidable number crunching skills, hands on approach at work and multitasking abilities. Now Sarraf has been named to take over as Chairman and Managing Director of Oil and Natural Gas Corporation (ONGC) once present incumbent Sudhir Vasudeva retires in February. He currently heads ONGC's overseas arm, ONGC Videsh Ltd (OVL). "I am crossing every bridge as it comes. Right now it will not be appropriate to speak much," he says of his impending appointment. Sarraf's role was critical in taking OVL to gas-rich Mozambique, where it recently acquired a 20 per cent stake in a gas field along with Oil India. OVL has struck deals worth over $11 billion in Sarraf's tenure.

D.K. Sarraf
CEO & MD, OVL

ANILESH S. MAHAJAN

DHRUV SHRINGI

Co-founder & CEO, Yatra.com

My first guru
Life. I started a business at 19 with my father's savings. Within two years it failed. Life then taught me two important lessons: (a) you have to work hard to make things happen, and (b) it's not how hard you fall but how strongly you recover

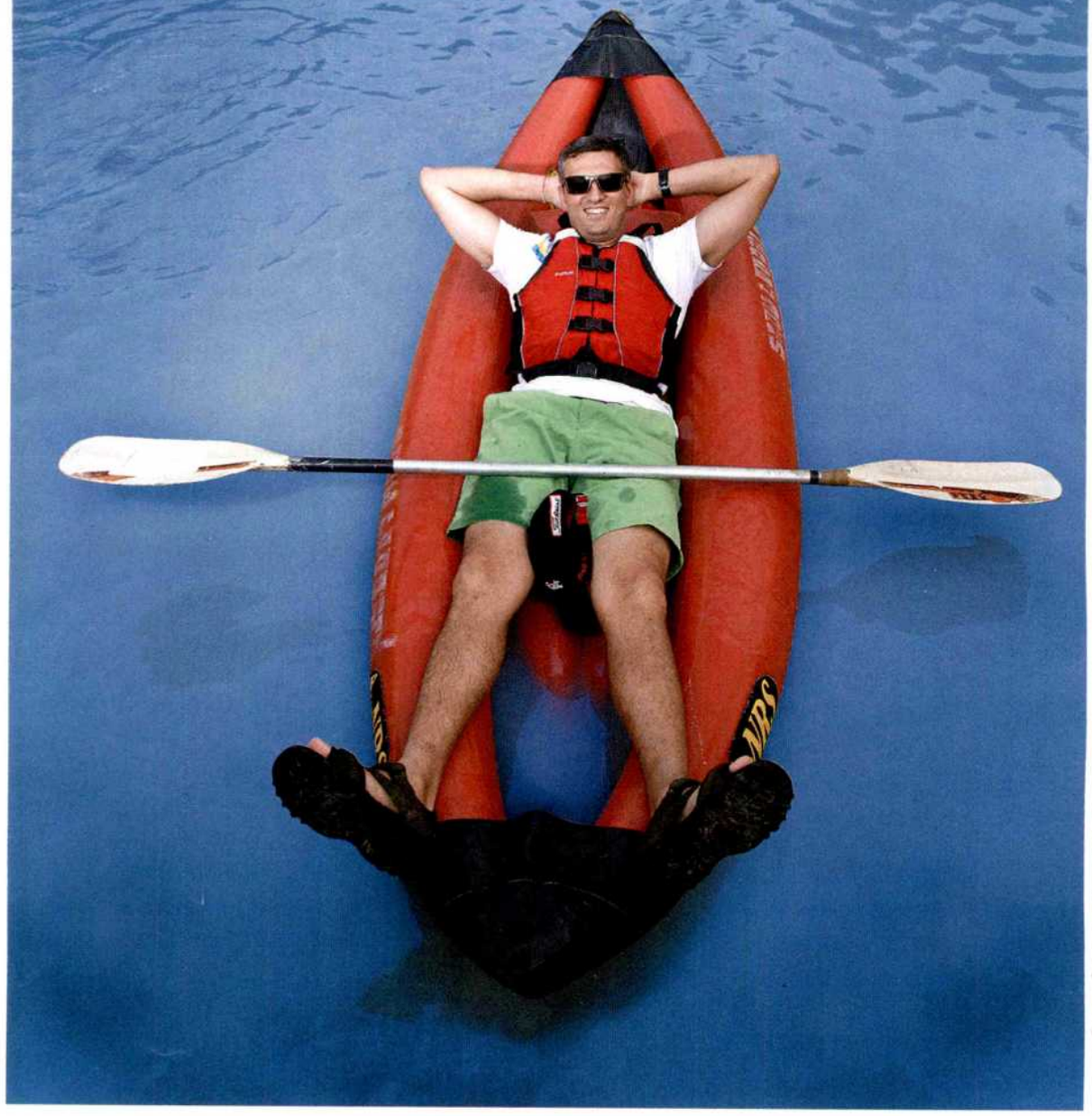
My first boss
Lalit Khanna at Arthur Andersen. I was fresh out of college and reeling under the failure of my venture. He taught me the importance of doing things the "right" way and not taking short cuts

My first job
As an article associate at Arthur Andersen. It taught me professionalism, how to take the initiative and managed to ignite in me a drive/desire to succeed that I wasn't even aware existed within me

My first promotion
As senior associate at Arthur Andersen. It gave me an opportunity to interact directly with the senior management and our clients

My first disappointment
Not making the cut at the state level in the under 15 cricket trials... For the first time I truly was exposed to how competitive the world outside really was

As told to Vivan Mehra



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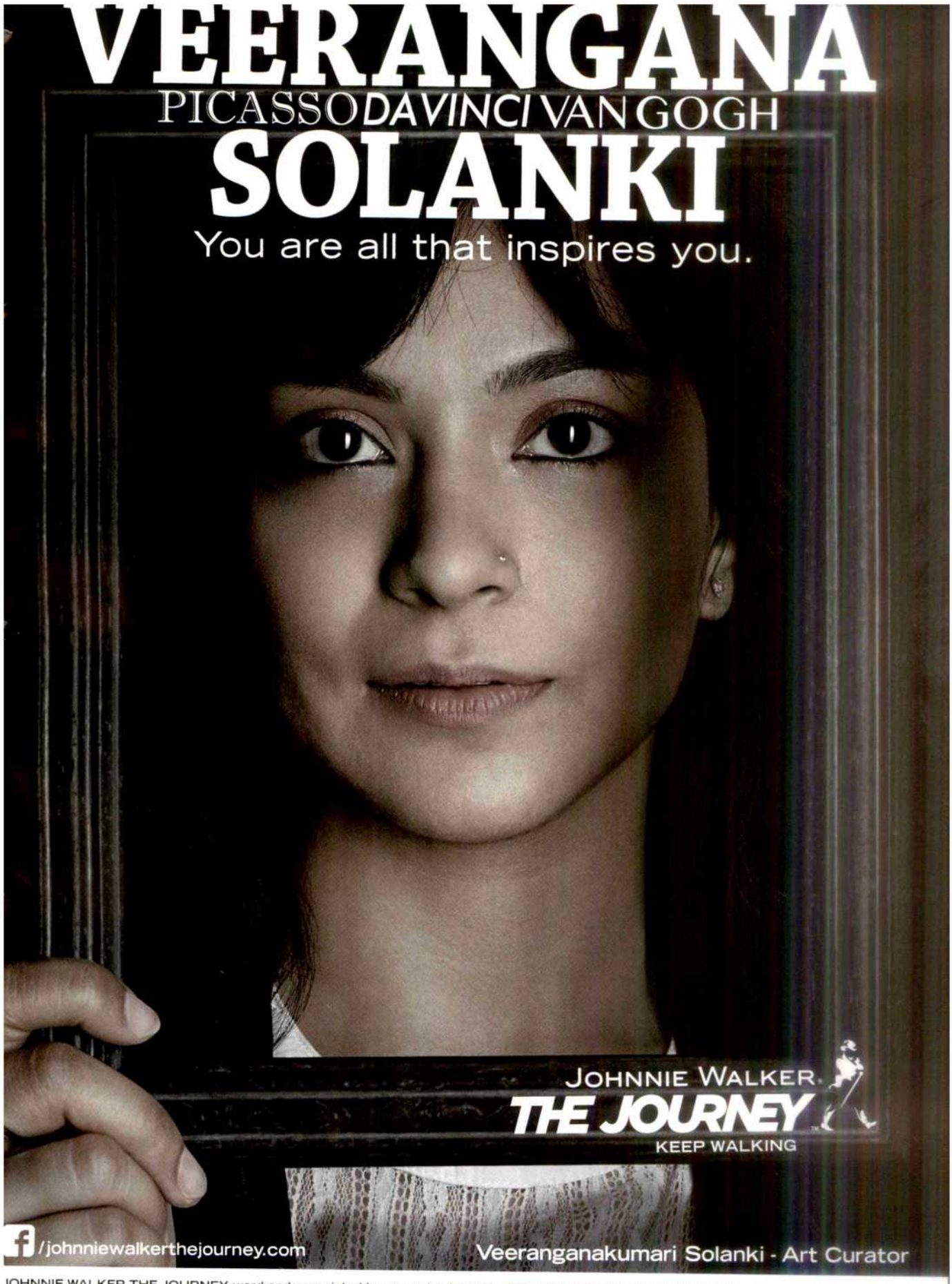

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GOVERNOR RAJAN:
INFLATION-KILLER? 15

STERLING RESORTS:
BACK FROM THE WILDERNESS 80

ASSET ALLOCATION SURVEY 42

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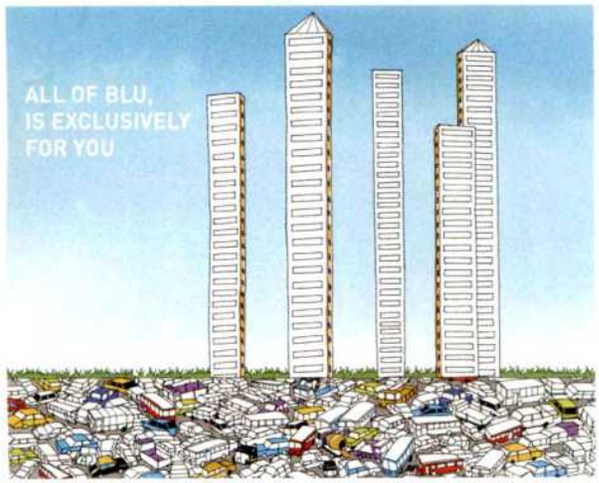

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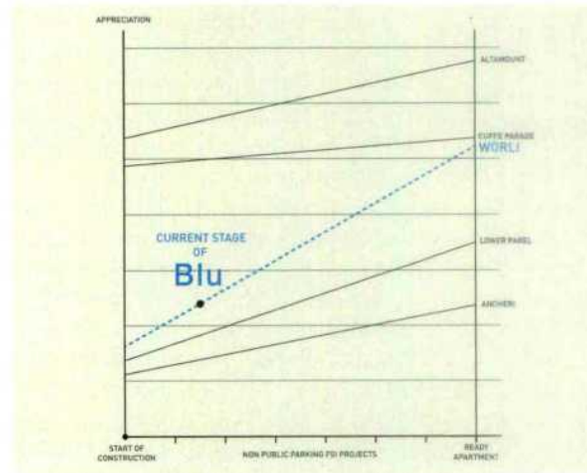

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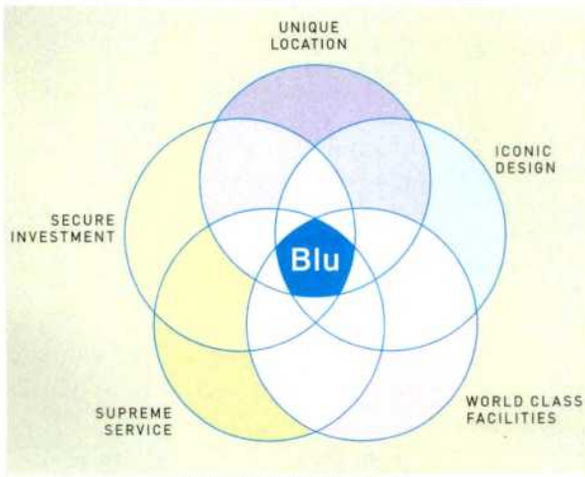

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From the Editor

Raghuram Govind Rajan is a lucky man. Two weeks into his new job as Governor of the Reserve Bank of India his friend Ben Bernanke, who he calls "cautious and nuanced" in his book *Fault Lines*, handed him a big gift – a delay in the "taper" in the US Federal Reserve's quantitative easing programme. A few days earlier, what had seemed like an imminent US attack on Syria for its use of chemical weapons on its own citizens had eased off, and reduced the chances of a dangerous new spike in oil prices. India's stocks and the rupee recovered somewhat. A wind-down of the Fed's $85-billion-a-month bond purchases would have hit market sentiment hard. Rajan was at pains to tell reporters on September 20, when he unveiled his first credit policy, that the RBI had already factored in a tapering. "How many times should we prepare for a tapering? Isn't once enough?" he asked rhetorically, after saying the RBI was crafting policy notwithstanding anything the Fed did or did not do. Rajan's decision to raise the repo rate by 25 basis points seemed as contrarian as Bernanke's "as we were" a day earlier, but the RBI governor made clear he saw the postponement of the tapering as just that, and that he was focused on reining in inflation. As India's growth decelerated, he said, there would be an inevitable disinflationary pressure. In his book, however, Rajan writes: "However, there is still a short-run trade-off between growth and inflation, stemming from the notion that every economy has a potential growth rate – an inbuilt maximum safe speed. Make the economy go any faster, and wages and inflation start accelerating because demand exceeds productive capacity..." As is getting to be routine at *Business Today*, the Fed's inaction and the RBI's action took place just as we were going to press, but nothing daunted, Senior Editor Anand Adhikari reads the economic runes for us from page 15.

There has been a tapering of a different sort in India – the Southwest Monsoon is starting to fade away. Agriculture was the only bright spot in the economy's dismal performance, but that has not prevented the price of onions from sky-rocketing. We believe in peeling away the layers to bring you the trends. In the third *BT*-Morningstar Asset Allocation Survey, an even number of respondents see the rupee trading between 60 and 62 to the US dollar and 62 to 64 to the USD. Seventy-one per cent of the 14 mutual fund houses that responded see the US continuing to be the biggest draw for institutional investors, but the survey also shows pessimism about the banking, real estate, capital goods and power sectors over the next year. Senior Associate Editor Mahesh Nayak parses the survey's findings from page 36 and finds a mix of pragmatism and cautious optimism amid the gloom.

Not so with many Indian companies getting sucked down by the quicksands of debt. When the times were good, several companies went on a borrowing spree. Now they are starting to sell off assets, and many promoters are pledging huge chunks of their holdings to keep the wolves at bay. These are not distress sales, but they are bad enough to cause the RBI's Rajan to take a hard look at banks' non-performing assets, the polite way of describing loans that have gone sour. A *BT* team of reporters led by Adhikari pieced together a sobering report that I commend for its painstaking detail and financial analysis.

However dark our skies, India is never short of good-news stories. This fortnight we launch the first *BT*-YES Bank Emerging Companies Survey. It promises to set a new benchmark, just as many of our other surveys have over the years. A total of 526 companies with a turnover of between ₹200 crore and ₹1,000 crore in 2011/12 applied for the awards. The ten winners were picked after a spirited and exhaustive examination by a jury headed by Ashok Chawla, Chairman of the Competition Commission of India. Deputy Editor Alokesh Bhattacharyya led the team of N. Madhavan, Mahesh Nayak, Manu Kaushik, Arpita Mukherjee and Dearton Thomas Hector, and you will enjoy reading the cover package they pulled together starting from page 56.

Chaitanya Kalbag

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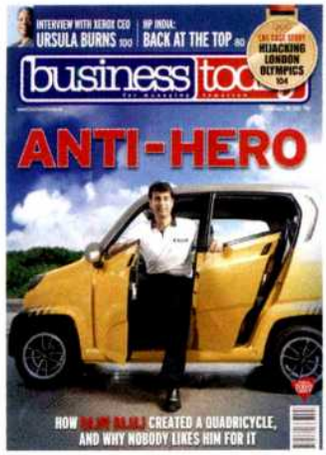

Neither Hero Nor Anti-hero

Your cover story on the remarkable quadricycle produced by Rajiv Bajaj (*The Quadricycle Diaries*, September 29) made interesting reading, but reaffirmed my long-held belief that we tend to honour the wrong heroes ignoring the real ones. You have called Rajiv Bajaj an anti-hero for his verbal vitriol against all those who oppose his quadricycle, calling it a step backward. His father, Rahul Bajaj, was a leader of the famous Bombay Club which opposed the entry of transnational corporations when the economy was opened up in 1991. Once MNCs were allowed, Hero Honda overtook Bajaj Auto as the largest manufacturer of two wheelers, because it judged customer preferences better. Bajaj himself went on to tie up with Kawasaki to offer motorcycles.

Bajaj announced he would provide a new, affordable car for the Indian middle class following the introduction of Nano by Tata. But having seen Nano's failure, Bajaj has changed tack, claiming his product is an improvement on the autorickshaw – the three-wheeler in whose market, his company has a major share.

The credit for thinking out of the box should go not to Rajiv Bajaj but to an unsung hero from Kerala – M.D.Jos, who runs a little known company Eddy Current Controls(I) Ltd, primarily in Variable Speed Drives. Jos designed a four-wheel drive to replace the auto in 2000 and displayed it at the *swadeshi* exhibition held in Coimbatore under the aegis of Swadeshi Jagran Manch. Unfortunately, Jos did not have the political clout Rajiv Bajaj and his family enjoy. Or else, the quadricycle would have been on the roads a decade earlier.

Venkateswaran C.V., *On e-mail*

Rajan's New Avatar

The feature on new RBI Governor Raghuram Rajan (*Rockstar Successor*, September 29) is very speculative. Let's pray that Rajan really rocks and succeeds in his new avatar. The rockstar economist has generated a lot of optimism. It reminds me of *Raghupati Raghav Raja Ram*, a popular *bhajan*. Everyone now seems to be singing an updated version of the bhajan featuring Rajan.

J.S. Broca, *New Delhi*

NSEL Scam: An Investor's Appeal

The National Spot Exchange stopped trading from July 31 on the orders of the Forward Market Commission without any prior intimation to over 15,000 investors. We are a senior citizen couple, aged 72 and 65 years, who after a lifetime of struggle and frugal living, had invested in financial instruments issued by the exchange, after misleading presentations made by the exchange and brokers, wherein they clearly stated that all commodity contracts were fully backed by actual delivery of stocks. We had invested over ₹1 crore, almost our entire savings, under the impression that this was a government-approved exchange and also further misled by the word 'national'. I believed the authorities were properly regulating this 'national' exchange. Little did I know that regulation was weak, with loopholes that allowed either mismanagement or fraud to be committed.

Over 45 days have passed since the exchange closed and the only progress made has been that the Central government has instituted a committee to study the situation and report the facts. After this there has been deafening silence. I appeal to you to find out why the government authorities are not moving faster with this investigation, and what the government is doing to get us our money back.

– **Jatinder Kumar Ahuja, Renu Ahuja**

Correction

The photo feature *Luxplosion* (Sept 1, Page 154) incorrectly mentions the price of Panerai's Pocket Watch Tourbillon GMT Ceramica as ₹1.65 lakh. It is, in fact, €165,000. We regret the error.

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CONTENTS

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OCTOBER/13/2013
VOLUME 22/NUMBER 21

COVER FEATURE

EMERGING STARS

70 Arvind Lal, CMD, Dr Lal PathLabs

72 Suresh Vazirani, Founder, Transasia Bio-Medicals

68 Vinod Agarwal, MD, GR Infraprojects

74 Arvind Sanghvi, Founder and MD, Raajratna Metal Industries

64 Amit Bakshi, Founder, Eris Lifesciences

76 Sukhendu Bika Misra, Founder and MD, Minex Metallurgical

Sandeep Jain and Sanjeev Jain , Co-founders, Akums Drugs & Pharma 60

56 | India's Emerging Companies

60 | Bursting with Health

64 | Prescribed for Life

68 | One for the Road

70 | Path to Successs

72 | Testing new Territories

74 | Wired to Win

76 | Unalloyed Quality

78 | Seeding the Future

78

Tulasi Ramachandra Prabhu, Chairman, Tulasi Seeds

UPFRONT

10 | Quick takes on major events

15

FOCUS

15 | **Safety First**
Raghuram Rajan has to walk a long way before he can pare interest rates to stimulate growth

20 | **Delayed Take-off**
Tata Sons and Singapore Airlines come together again after a decade and a half

24 | **Limiting Their Losses**
A new bill seeks to hold states accountable for the mounting losses of their power distribution companies

26 | **How the Burger Crumbles**
The spat between Vikram Bakshi and McDonald's points to the clear and present danger in most joint venture agreements

30 | **Graphiti: Fractured Land**

ONLINE

Tomorrow's Champs

Profiles of the eight winners of the *BT*-YES Bank Best Emerging Companies survey. These mid-sized, unlisted companies appear set to scale heights in coming years.
businesstoday.in/emergingcompanies2013

Festival Sales Forecast

With the country going through hard times, consumer companies and retailers will push EMI buying, combo offers and lower-priced packages this festival season.
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'India Needs Less Corruption'

Says Hyatt Hotels Executive Chairman **Thomas Pritzker** in a candid interview with **Manisha Singhal.**
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PERSPECTIVE

Ranbaxy's Unending Woes

USFDA revelations show problems with Ranbaxy's manufacturing processes extend well beyond finding a human hair in one of its tablets, says **E. Kumar Sharma.**
businesstoday.in/ranbaxy-hair

Agriculture to the Rescue

Farm growth holds out hope for the economy, says **Ajay Modi.**
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New Dawn?

The Indian economy may not be out of the woods yet, but sentiment is improving, finds **Shweta Punj.**
businesstoday.in/economy-sentiment

BLOG

Event Management

Explara is an online event management platform that helps event organisers manage event registrations, ticketing collections and online marketing, says **Taslima Khan.**
businesstoday.in/startuptoday

CONTENTS

FEATURES

36

In the third edition of the *BT*-Morningstar survey, nearly half of all fund managers expect the Sensex to hover between 18,000 and 20,000

42 | India on Sale
Debt-laden companies are resorting to asset sales as a slowing economy, a weak rupee and volatile capital markets offer little hope of a turnaround anytime soon

52

52 | For a Fistful of Sky
India is the new battleground for bitter UK rivals British Airways and Virgin Atlantic

80 | Holiday Season Again
Timeshare pioneer Sterling Holiday Resorts is staging a comeback after 16 years in the wilderness

84 | Nurturing the Nurturers
Business incubators have arisen to help entrepreneurs who target the bottom of the pyramid scale up

86

86 | A New Sparkle
Indians drink very little wine. A host of newcomers, focused strongly on quality, are hoping to change that but they face formidable challenges

92 | Healing Chain
Pharmacy chain MedPlus is now the second-biggest in the country, after Apollo

94 | *HBR* Exclusive: Making Sustainability Profitable

MONEY
102 | Look Before You Leave
Know what you should do to organise your financial portfolio at home before moving abroad

104

LBNL

104 | India Ink
You may never have heard of Mysore Paints & Varnish, but the company's ink has made its mark at polls in India and elsewhere

RIGHT CLICK
108 | Chips on Your Shoulders
Gadgets you can wear on your body could be the next big disruptor

109

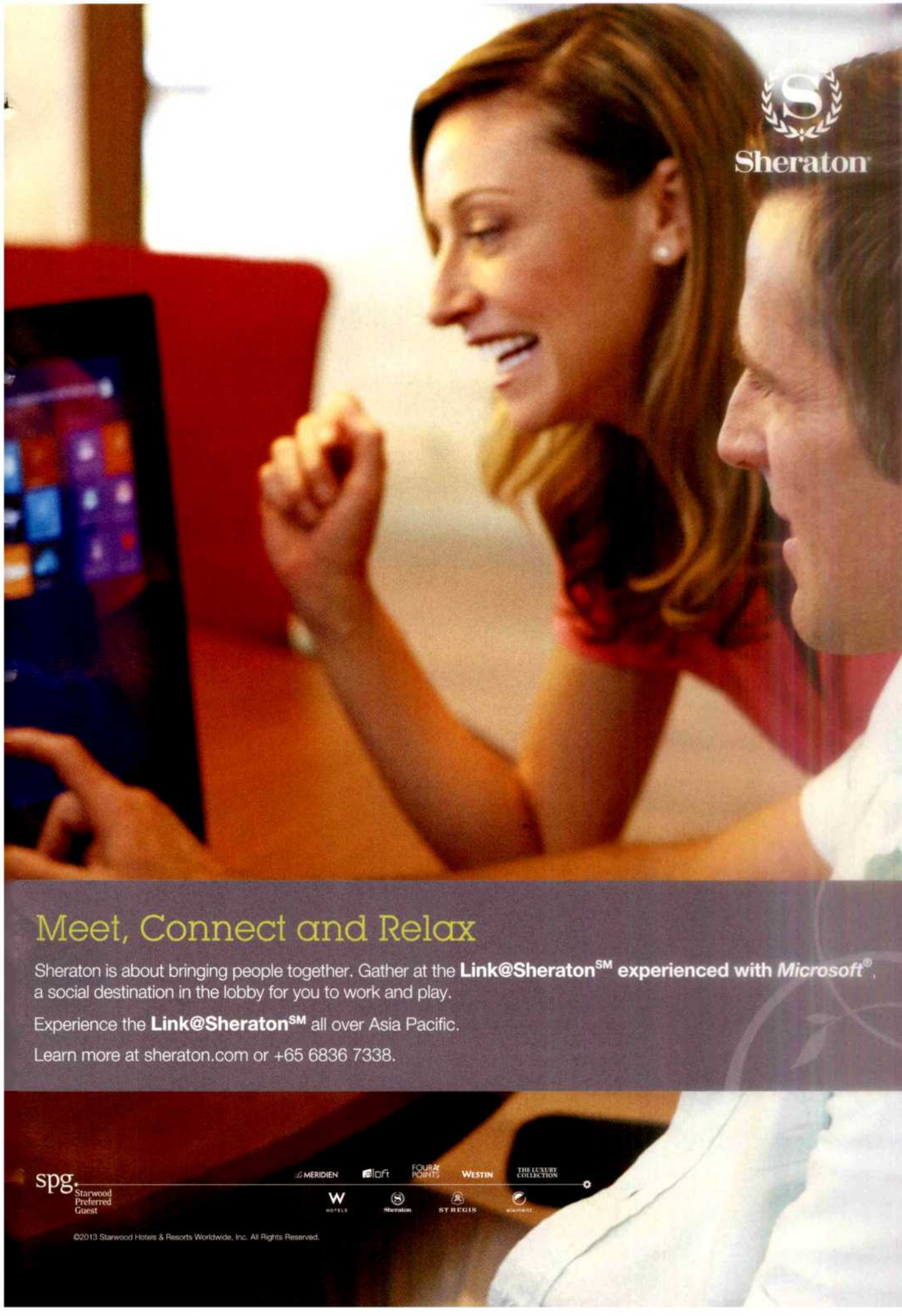
BOOKEND
109 | Your War, My War, Our War
Why individuals are now at the frontlines of the defence against terror

CAREERS
110 | A Girl's Best Workplace Friend
Women employees in many companies are now assigned a mentor who acts as friend, philosopher and guide

114 | PEOPLEBUSINESS

114

LEADERSPEAK
120 | Saurine Doshi
Managing Director, A.T. Kearney Ltd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VIKRAM SHARMA

No downturn: Whatever the macro-indices may say, shoppers are still streaming forth this festival season. With discounts and freebies raining down, retailers hope for double-digit sales. "The sale period is a very good time to engage with the customer at the periphery, to get her initiated into brands," says Pakhie Saxena, Associate Director of Retail at Technopak.

Corporate

Indian drug makers are coming under increasing scrutiny of American regulators. **In a further setback to Ranbaxy, the US Food and Drug Administration has banned Ranbaxy's third plant in Mohali from exporting medicines to the US.** The regulator has cited as many as 11 discrepancies in the processes followed at the Mohali plant, including the presence of a black fibre in a tablet suspected to be hair from an employee's arm. The company's Paonta Sahib and Dewas units have already been blacklisted. Strides Arcolab's injectible arm, Agila Specialities, recently received a warning letter for violating manufacturing norms. This puts at risk the company's $1.8-billion pending deal with US-based Mylan Inc.

The government has softened transfer pricing rules in a bid to rein in tax disputes involving multinationals. IT, drug and auto firms are set to gain.

The latest business confidence survey by FICCI shows moderation in the performance of companies as compared to the previous six months. The Overall Business Confidence Index slipped to 49, compared to 57.4 during the previous quarter.

Finally, iGate has found a new head. Ashok Vemuri jumped the Infosys ship to become president and CEO at iGate. He will be paid a base salary of $1.3 million and a cash bonus up to 200 per cent of a target bonus of $500,000. He will also get 150,000 stock options.

Economic gloom continues. Advance tax collections from the top 100 corporate houses of Mumbai showed muted growth for the September quarter. The collections for the first two quarters from the country's financial capital, which contributes over a third of the income-tax collections nationally, have grown 11 per cent as compared to around nine per cent in the September quarter. Asset quality deterioration and treasury losses have hit state-run banks. **The Mukesh Ambani-led Reliance Industries paid ₹1,670 crore as against ₹1,534 crore in the same period a year ago.**

The pace of growth of advertising in the second half of the current calendar year has slowed to 4.7 per cent from the 7.3 per cent estimated a year ago, according to a report by India's largest media agency network, GroupM.

Twitter, which is planning an IPO, is outpacing its bigger rivals Facebook and Google in growth of mobile advertising. Ads on smartphones and tablets will make up more than half the microblogging service's ad revenue. According to EMarketer Inc, Facebook generated 41 per cent of its ad revenue from mobile promotions in the last quarter. Google is estimated to be getting less than a quarter of its revenue this year from mobile ads.

Former US treasury secretary Lawrence Summers pulled out of the race to succeed Federal Reserve Chairman Ben Bernanke in January. Summers was widely expected to cut stimulus. The chances of Fed Vice Chairman Janet Yellen doing so are lower.

Economy

The head of the Unique Identification Authority of India Nandan Nilakeni may contest from South Bangalore on a Congress ticket. The Aadhar posterboy and former CEO of Infosys, though, is keeping the cards close to his chest.

The RBI has tightened regulations governing non-banking finance companies lending against gold jewellery. Strict documentation for high-value loans against gold and prohibition of misleading advertisements by NBFCs are part of the guidelines.

In a bid to protect domestic industry and reduce gold imports, the government has raised customs duty on imported jewellery to 15 per cent from eight per cent. Gold imports in the first four months of the current year went up 87 per cent to 383 tonnes. High imports of gold, oil and coal contributed to India's $88 billion current account deficit in 2012/13, third-highest in the world.

110

The number of generic drugs from Indian drug makers approved by the USFDA. This has taken India's share in the Original Abbreviated New Drug Application approvals to nearly 40 per cent in the US market so far in 2013.

$1.94 bn

Direct overseas investment by Indian firms in August, as compared to $3.24 billion in July, and $2.02 billion a year earlier. Investments in equities by companies in August fell to $144.71 million from $681.95 million in July. Loans fell to $381.27 million from $828.23 million a month earlier. Bank guarantees for such investments fell to $1.41 billion.

Markets

SEBI has inspected more than 200 stock brokers and sub-brokers in the last financial year, compared to 81 who were similarly inspected in 2011/12. The focus was multi-pronged, including areas such as compliance with norms relating to preventing money laundering, settlement of accounts of clients on timely basis, segregation of clients and propreitary funds/securities, know-your-customer norms, clearing operations, etc, said SEBI in its latest report to the government.

Retail prices of onion remain high at ₹80 a kg, compared with ₹22 a kg a year before. But supplies from Maharashtra are expected to ease the situation soon.

Coming Up

- Finance Minister P. Chidambaram will attend the annual meetings of the International Monetary Fund and the World Bank beginning October 9. He will meet foreign institutional investors in the US.

- The government will consider a "name and shame" mechanism after mulling over privacy and defamation laws to publicise the details of corporate and investment fraudsters. This will make the public aware about identity and modus operandi of such entities, said Corporate Affairs Minister Sachin Pilot.

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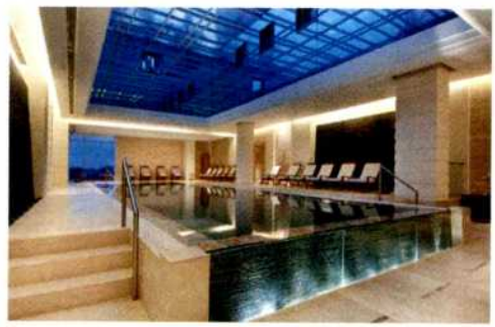

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FOCUS

20 Tata's New Airline Deal
26 Ill-fated JVs
30 Land Acquisition Bill

More of the same: The concerns and actions of RBI governor Raghuram Rajan (right) have not been all that different from those of his predecessor D. Subbarao (left)

PHOTO BY NISHANT GAMRE AND IMAGING BY RAVI

Safety First

Raghuram Rajan opts for caution in his first monetary policy review. He has to walk a long way before he can pare interest rates to stimulate growth. By ANAND ADHIKARI

7.5%
The repo rate after the hike on September 20

On his first day in office on September 4, Raghuram Rajan, the new governor of the Reserve Bank of India, pointedly underlined the likelihood of his surprising the financial markets with his actions. "A central bank should never say 'Never'," said the 50-year-old Rajan. Two weeks later Rajan showed he had meant what he said. Much like US Federal Reserve Chairman Ben Bernanke, who surprised analysts by persisting with the Quantitative Easing (QE) programme when many were expecting him to start tapering it off, Rajan, too, did exactly the opposite of what the markets and pundits had suggested he would. Announcing

UNCERTAIN OUTLOOK

What has changed since the last monetary policy review in July

GDP Forecast:
Prime Minister's Economic Advisory council (PMEAC) has cut its GDP growth forecast from **6.4%** to **5.3%** for 2013/14

Inflation
The WPI has inched up to **6.1%** in August from **5.9%** in July.

Quantitative Easing (QE3)
US Fed has decided to continue pumping in money into its economy, contrary to expectations

Index of Industrial Production (IIP)
For the first time in three months, the IIP has recorded positive growth of **2.6%** for July.

his first monetary policy on September 20, Rajan hiked the repo rate from 7.25 per cent to 7.50 per cent when he was widely expected to leave policy rates unchanged, if not lower them. The move has been panned by industry bodies. "A positive signal by way of a cut in the repo rate would have helped perk up sentiments," said Naina Lal Kidwai, Country Head, HSBC (India) and President of FICCI.

But Rajan seems to be taking one step at a time. Fortunately, his stint with the RBI has begun on a positive note. There has been a sudden appreciation of the rupee against the dollar partly because of the measures he took immediately on taking over, but also because of the fortuitous easing of tensions in Syria and the US Federal Reserve's decision to defer the QE tapering. Rajan is using the headroom

LIMITED IMPACT

A 125 basis points cut in repo rate by the RBI over the last 18 months had only marginal impact on bank lending rates

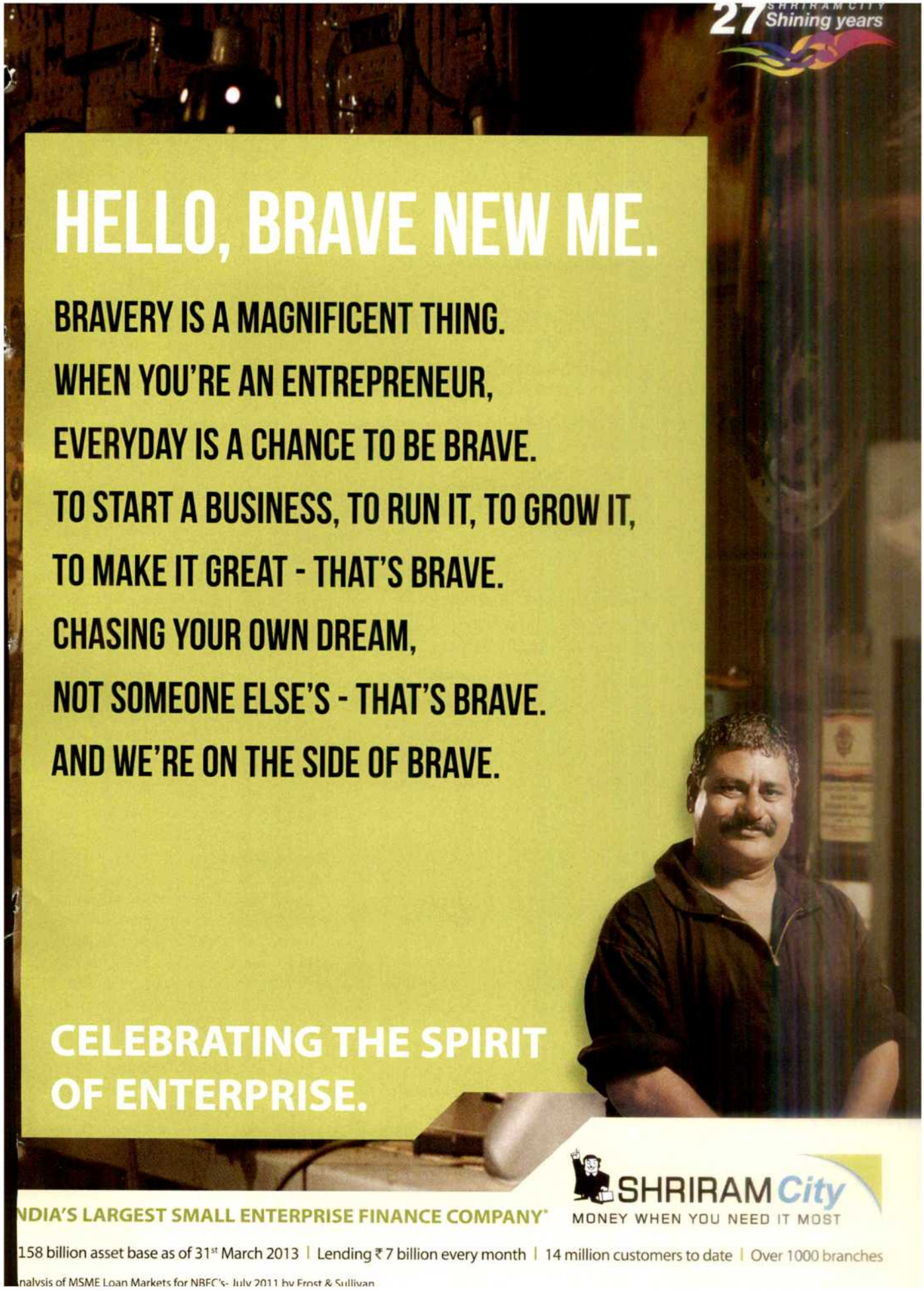
*Weighted average lending rate of PSU , private and foreign banks

the stability of the rupee has given him to first correct the short-term interest rates, which were being raised by the central bank to kill speculation in the forex market and support the rupee.

In July, the RBI had made money dearer by capping the borrowing limit through the repo rate window at ₹75, 000 crore and hiking the Marginal Standing Facility (MSF) rate – another RBI window for lending to commercial banks – by 300 basis points (bps) to 10.25 per cent. Given the repo rate limit, banks had no option but to borrow above that repo limit through the MSF where rates were at the high level of 10.25 per cent. This forced banks in turn to hike interest rates. A day before the mid-quarter review, State Bank of India, the country's largest lender, hiked its base rate by 10 bps to 9.80 per cent. So too, the top three private banks have increased their base rates over the last month. ICICI hiked it by 25 bps to 10 per cent, HDFC Bank and Axis Bank by 20 bps to 9.80 per cent.

Though he has raised the repo rate, Rajan has actually given banks some relief by reducing the MSF rate from 10.25 per cent to 9.5 per cent. Banks will first go to the repo rate window to borrow, where the rate is 7.5 per cent. But once the repo window is exhausted, they will approach the MSF window where the rates have been lowered. So, the MSF rate cut is likely to reduce the banks' cost of funds, even as the central bank tries to fight inflation by controlling liquidity in the financial system by hiking interest rates. "Our immediate emphasis is on reducing the cost of funds to the financial sector," said Rajan in a media interaction after announcing the post policy review. "The policy signals a return to the repo rate as the key tool, as well as the RBI's intention to cautiously unwind the exceptional measures it took and place greater emphasis on long-term growth dynamics," says Chanda Kochhar, CEO & MD of ICICI Bank.

Like his predecessor D. Subbarao, Rajan finds himself in a tight spot. He would have liked to support growth by cutting rates, but high inflation left him few options. Wholesale price index (WPI) suddenly moved up to 6.1 per cent in August, which is well above the RBI's comfort zone of 5.5 per cent. The US decision to continue with the QE programme will also push up global commodity prices, especially that of crude oil. This has the potential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nalysis of MSME Loan Markets for NBFC's- July 2011 by Frost & Sullivan

RAJAN'S RECIPE

The new governor has initiated several measures to strengthen the rupee and is now turning his attention to inflation. Steps taken:

* Banks allowed to **swap dollar deposits with rupees**

* Exporters permitted to re-book part of the **cancelled forward contract**

* Banks allowed to **raise overseas borrowing from 50% to 100%** of the unimpaired tier -I capital

* Currency **swap arrangement** with Japan hiked from **$15 billion to $50 billion**

* The **marginal standing facility rate** cut by 75 basis points to 9.5%

* **Repo rate** hiked by 25 basis points

The rupee has reacted favourably to Rajan's moves. The easing of tensions in Syria and the US Fed deferring QE3 withdrawal have also helped its rise

to further stoke inflation, and has forced the central bank to keep interest rates high. The consumer price index (CPI) is close to double digits because of high food prices. In addition, the impact of rupee depreciation against the dollar in the recent past will also show up soon. "We are for both growth and price stability," said Rajan.

Thus there is every likelihood of long-term interest rates remaining high for a while despite the RBI cutting MSF rate by 75 bps. Monetary transmission, for example, is too slow to perk up the slowing economy. In the last 18 months when Subbarao finally began reducing the repo rate, lowering it by 125 bps in all, the banks' lending rate fell only marginally by about 50 bps to around 12 per cent. (See *Limited Impact.*)

Rajan's next logical step should be to fully roll back the monetary tightening measures taken to curb speculation in the foreign exchange market. Rajan has promised that the repo rate will return to being the effective policy rate once the borrowing limits are removed. "The difference between the MSF and repo rate will be brought down to 100 basis points," said Rajan.

Meanwhile, the new governor's measures to attract dollar inflows are already working. He announced that till September 19 he had received $917 million through the swap facility introduced on foreign currency non-resident dollar funds. This essentially allows banks to convert dollar deposits into rupees. "We can finance this year's current account deficit without drawing down on reserves," says Rajan.

But the biggest worry remains the economic slowdown. Rajan has said growth could pick up in the second half of the year. In the July policy review, the RBI under Subbarao had forecast GDP growth of 5.5 per cent in fiscal year 2014 as against its earlier estimate of 5.7 per cent. The Prime Minister's Economic Advisory Council (PMEAC) has also recently lowered its GDP growth projection to 5.2 per cent.

Clearly, the government must speed up reforms and other policy measures to stimulate growth. "We must, therefore, work on our current account deficit by increasing the long-term foreign inflows through FDI, lowering our import bills and increasing export competitiveness," says Kidwai of HSBC. There are also supply side issues pushing up inflation that need to be sorted out by the government. Rajan has already signalled that the onus is on the government now. It is time to build a bullet-proof national balance sheet and growth agenda, he asserted. ◆

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High Fliers: Prasad Menon (right), Chairman-nominee of the proposed board of the new airline and Mukund Rajan, one of the directors, with Civil Aviation Minister Ajit Singh (centre)

Delayed Take-off

Tata Sons and Singapore Airlines come together again after a decade and a half

By MANISHA SINGHAL

THE TATA GROUP WILL HAVE A 51 PER CENT STAKE IN THE FULL-SERVICE CARRIER, WHILE SINGAPORE AIRLINES WILL HAVE THE REST

In November 2010, eminent industrialist Ratan Tata made a startling revelation. The then chairman of the Tata group expressed his frustration at having failed to start an airline in a joint venture with Singapore Airlines because he was unwilling to bribe a minister. "We went through three prime ministers and each time there was a particular individual that thwarted our efforts to form another airline," Tata said at a lecture.

Tata didn't reveal the name of the minister, but two years later, a former secretary at the Ministry of Civil Aviation did. In his book *An Outsider Everywhere – Revelations by an Insider*, retired bureaucrat M.K. Kaw wrote that it was C.M. Ibrahim who blocked Tata's bid to set up the airline during the 1990s at the behest of Jet Airways. Ibrahim denied the allegations. "The history of civil aviation in this country would have taken a different trajectory if Tata-Singapore Airlines had been allowed to float an airline," Kaw wrote.

The Indian conglomerate and the Singapore carrier are now making another attempt to come together. The two have joined hands to launch a full-service airline with an initial investment of $100 million. The Tata group will have a 51 per cent stake in the venture while Singapore Airlines will have the rest. The move comes barely seven months after the Tata group tied up with Malaysian low-cost carrier AirAsia to start a budget airline in a three-way joint venture that also includes India's Telestra Tradeplace.

Analysts have welcomed the latest development. Mark Martin, CEO and founder of Dubai-based consultancy firm Martin Consultancy, says the venture will open up opportunities not only for passengers, but also for airports and training facilities. "It's a creme de la creme kind of a joint venture with the most credible names in both the airline and corporate worlds," adds Amitabh Malhotra, Managing Director at investment banking firm Rothschild and Sons (India). But he also sounds a note of caution. The Tatas will have

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How India's domestic airlines stack up

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AIRLINE MODEL	BUDGET	FULL SERVICE	HYBRID	FULL SERVICE	BUDGET	BUDGET
Market share	29.1%	18.8%	6.3%	19.9%	17.2%	8.7%
No of aircraft	70	95	15	205	56**	13
No of daily flights*	447	260	290	413	350	750**
Cities connected	34	71	46	92	55	21

*Includes both domestic and international flights ** No. of weekly flights (Market share data as of August 2013.) Source: Companies

THE NEW AIRLINE WILL DIRECTLY COMPETE WITH EXISTING FULL-SERVICE CARRIERS AIR INDIA AND JET AIRWAYS

to walk a tightrope to keep the two ventures in harmony as there is little differentiation between low-cost and full-service airlines in India. "The price differential between the two services is not significant," he says.

The deal makes sense for Singapore Airlines, too. "Singapore Airlines feels there is a market for a full-service product like theirs in India," says a person familiar with the matter. "It might see the AirAsia investment by the Tatas only as an equity deal." What makes matters a little tricky, however, is that Singapore Airlines and AirAsia are fierce rivals in international markets, especially in Southeast Asia. But AirAsia executives, who do not want to be named, say the two JVs will not be rivals and that their tie-up with the Tatas is exclusively for the low-cost segment.

The Tata group is tight-lipped about strategies for both ventures, saying only that it will be an active participant in operations and management of both airlines. The conglomerate wants to be a long-term player in the aviation sector, Tata group spokesman Debasis Ray said. He didn't give any timeframe for starting the full-service airline. People familiar with the development say the Tatas will look for synergies in terms of schedules and pricing between the two ventures. The group could also look for common contracts for equipment, maintenance, repair and overhaul services, and aircraft.

Critics, however, say the deal will not benefit the Indian aviation sector. They note that the easing of overseas investment rules in aviation last year was aimed at attracting foreign investors in existing airlines. Jet Airways has already agreed to sell a 24 per cent stake to Gulf carrier Etihad Airways while SpiceJet and GoAir are hunting for strategic partners. G.R. Gopinath, the pioneer of low-cost aviation in India, says the government should ensure there is no monopoly, and consider whether one company should have controlling stakes in several airlines. "I do not think it is desirable and regulatory bodies like the Competition Commission of India should look into this aspect," he says.

An analyst with a global consultancy says the new airlines will increase competition for the existing players. Existing full-service airlines Air India and Jet Airways will be directly competing with the Tatas' new airline. An Air India executive feels there is place for another full-service airline because of the gap created by the grounding of Kingfisher Airlines in October last year. A Jet executive feels differently. "The deal will lead to more competition and more capacity, resulting in tougher times for full-service airlines," he says. "It will be challenging for both Jet and Air India." ◆

Bird's Eye View

- It will be a full-service airline
- Initial equity investment will be $100 million
- There will be a three member board with two Tata nominees: Prasad Menon, Chairman, and Mukund Rajan
- Singapore Airlines's nominee will be Mak Swee Wah, EVP, Commercial

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Limiting the Losses

A new bill seeks to hold states accountable for the mounting losses of their power distribution companies.

By ANILESH S. MAHAJAN

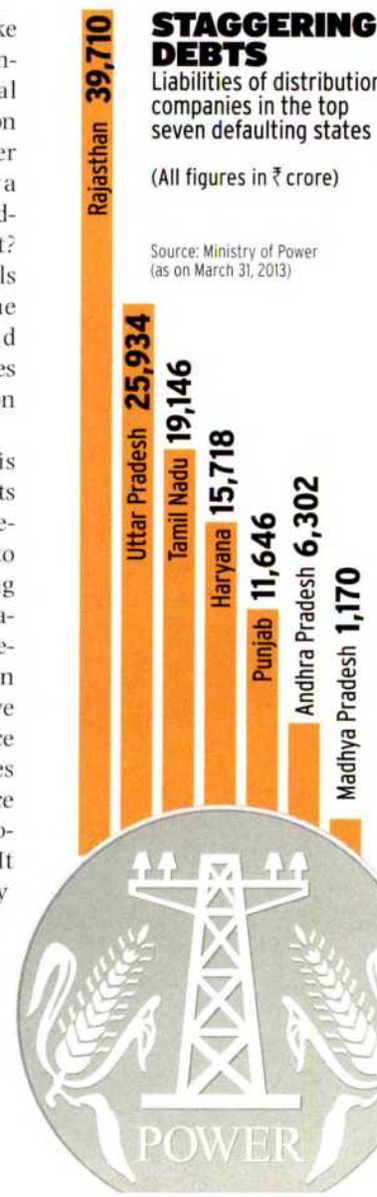
Encouraged by the manner in which the government managed to pass three controversial bills in the monsoon session of Parliament, the power ministry has drafted an electricity distribution bill aimed at curbing the mounting losses of state distribution companies. The ministry hopes to table the State Electricity Distribution Management Responsibility Bill, 2013, in the winter session.

The Bill aims to make state governments responsible for the financial health of their distribution companies. Will Power Minister Jyotiraditya Scindia succeed in building a consensus on it? Power ministry officials are optimistic after the controversial Food Security Bill, Companies Bill and Land Acquisition Bill finally get passed.

If the power Bill is passed, state governments will have to ensure adequate electricity supply to consumers by improving their distribution companies through financial restructuring and adoption of reforms. They will have to look for ways to finance the accumulating losses caused by their reluctance to revise tariffs due to political considerations. It will force state electricity distribution companies to revise tariffs more frequently and make 100 per cent metering of electricity consumption mandatory within three years of implementation. Currently, a 2010 Central Electricity Regulatory Commission order empowers state electricity regulators to revise tariffs even if distribution companies oppose it.

The Bill is politically sensitive because tariffs are a state subject, while power is on the concurrent list. Aashish Mehra, Partner & Managing Director, Strategic Decisions Group, Asia Pacific, fears it may not be accepted at a time when states are giving free power to farmers. But power ministry officials are hopeful. "This will be a model Bill and states will be allowed to make their own changes," says one power ministry official, who does not want to be identified.

THE BILL IS POLITICALLY SENSITIVE BECAUSE TARIFFS ARE A STATE SUBJECT, WHILE POWER IS ON THE CONCURRENT LIST



A former power secretary familiar with the developments says the Bill has clauses requiring state governments to submit electricity distribution management statements to the legislature during the budget session. He says state governments will have to make financial restructuring plans or other such schemes a part of state budget statements.

But with polls around the corner, is the timing right? In all likelihood, the power ministry may miss the bus this time and it may fall upon the next government to push the Bill through. ◆

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How the Burger Crumbles

The spat between Vikram Bakshi and McDonald's points to the clear and present danger in most joint venture agreements By **SHAMNI PANDE**

Joint ventures can sometimes be like minefields. One misstep and they blow up in your face. Take the recent spat between global fast-food chain McDonald's and Vikram Bakshi, for example. Bakshi was the Indian partner of McDonald's for 18 years, with equal stake in their joint venture, called Connaught Place Restaurants Pvt Ltd (CPRL). At the end of August, McDonald's suddenly announced that Bakshi would cease to be Managing Director (MD) of CPRL as his term had ended.

Bakshi has challenged the decision before the Company Law Board (CLB). He told the board in his petition that McDonald's removed him in a bid to buy out his 50 per cent share for a low valuation. McDonald's has its own justifications for the action. As the two sides slug it out, many have wondered whether this was a hostile takeover bid by a foreign partner.

The legal community is not convinced. "This doesn't appear to be a case of a hostile takeover, it seems a classic case of a shareholder dispute," says Sidharrth Shankar, Partner, J. Sagar Associates. He stresses this is his personal view, not his firm's.

The battle between McDonald's and Bakshi is the latest of many such joint venture disputes in India in recent years. Each case may have been different, but trust and mismanagement issues lie at the heart of almost all of them. German stationery company Faber-Castell is also locked in dispute with its local partner, Anup Bhaskaran Rana. It has filed a petition against Rana, MD of the Indian venture with 10 per cent share in the company, alleging mismanagement and misappropriation of funds.

Some cases are settled quickly, others drag on for years. In one of the more high-profile disputes, consumer goods giant Dabur India took Swiss multinational Nestle to the CLB in 2000 to appoint an independent administrator for their joint venture Excelsia Foods and also give an undertaking for a non-compete agreement because of fears Nestle planned to enter the biscuit market on its own. The case was eventually settled with both sides parting ways and Excelsia being wound up.

More recently, cracks appeared in the telecom joint venture between Norwegian telecommunications company Telenor and real estate major Unitech following the 2G spectrum scam in which their joint venture got embroiled. Telenor wanted to break away and accused Unitech of misrepresentation of facts. It even made an indemnity claim against Unitech, before the case was mutually settled last year. The joint venture has been dissolved.

Rajat Wahi, Partner, Consumer & Retail Practice, KPMG India, says joint venture disputes are more common in emerging economies where foreign multinationals tie up with new, local partners. "Often, when the JV companies are growing, the foreign partners tend to lose sight of, or overlook, how day-to-day management is being handled," he says. ◆

OUT OF JOINT

Some of the joint ventures between foreign and Indian partners that have collapsed

2013
PARTNERS
McDonald's- Vikram Bakshi
REASON
Tussle over management control

2013
PARTNERS
A.W. Faber-Castell (India)-Anup Bhaskaran Rana
REASON
Alleged mismanagement

2011
PARTNERS
Reckitt Benkiser-TTK
REASON
Alleged mismanagement

2010
Telenor-Unitech
REASON
Alleged misrepresentation of facts

2010
PARTNERS
Honda-Hero
REASON
Differences over future course and management control

2001
PARTNERS
Suzuki-TVS
REASON
Differences over future course and management control

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Change Is in the Air

There have been a number of senior executive transitions in some of India's top-tier IT companies in the last two-and-a-half years. Not all were performance related. The changes come at a time when the industry has been hit by a slowdown in advanced economies. By GOUTAM DAS

August 28, 2013: **Ashok Vemuri,** board member of Infosys, quit.

WHERE HE WENT: iGate, where he is now the CEO, succeeding Phaneesh Murthy.

WHAT INFOSYS LOST: An articulate and aggressive executive, a potential CEO.

WHAT IGATE GAINED: An executive with deep knowledge of the US market and experience in scaling.

INFOSYS STOCK ON AUG 28, 2013: ₹**3,120.30**
INFOSYS STOCK ON SEP 20, 2013: ₹**2,995.55**

Jan 17, 2013: **Vineet Nayar** moved out of the CEO role at HCL Technologies. Anant Gupta takes over.

WHERE HE WENT: Became HCL Technologies's Vice Chairman.

HCL STOCK ON JAN 17: ₹**703.30** HCL STOCK ON SEP 20: ₹**1061.15**

August 21, 2011: **Kris Gopalakrishnan** moved out of the CEO role at Infosys.

WHERE HE WENT: Became the company's Executive Chairman. S.D. Shibulal was named CEO of Infosys. Gopalakrishnan was re-designated Vice Chairman after N.R. Narayana Murthy returned as Chairman.

WHAT INFOSYS LOST: A founder CEO who had been able to keep the company's senior flock together.

INFOSYS STOCK ON AUGUST 22, 2011: ₹**2,194.05**
INFOSYS STOCK ON SEP 20, 2013: ₹**2,995.55**

April 15, 2011: **Mohandas Pai,** board member of Infosys, quit.

WHERE HE WENT: Manipal Global Education Services where he is now the Chairman.

WHAT INFOSYS LOST: A thought leader, with people expertise, a financial wizard.

WHAT MANIPAL GAINED: An executive who knew everything about scaling a company, creating its physical infrastructure and intellectual assets.

INFOSYS STOCK ON APRIL 15, 2011: ₹ **2,988.80**
INFOSYS STOCK ON SEP 20, 2013: ₹**2,995.55**

January 21, 2011: **Suresh Vaswani** and **Girish Paranjpe** Joint CEOs of Wipro's IT business, left the company.

WHERE THEY WENT: Vaswani joined Dell and is currently President, Dell Services. Paranjpe joined the US-based Bloom Energy but quit earlier this year.

WHAT WIPRO LOST: Seasoned executives who had built the company's financial solutions, technology Infrastructure services, enterprise application services, BPO and testing businesses.

WHAT DELL GAINED: Vaswani's experience in building a global delivery model for services.

WIPRO STOCK ON JAN 21,2011: ₹**456.05**
WIPRO STOCK ON SEP 20, 2013: ₹475.30

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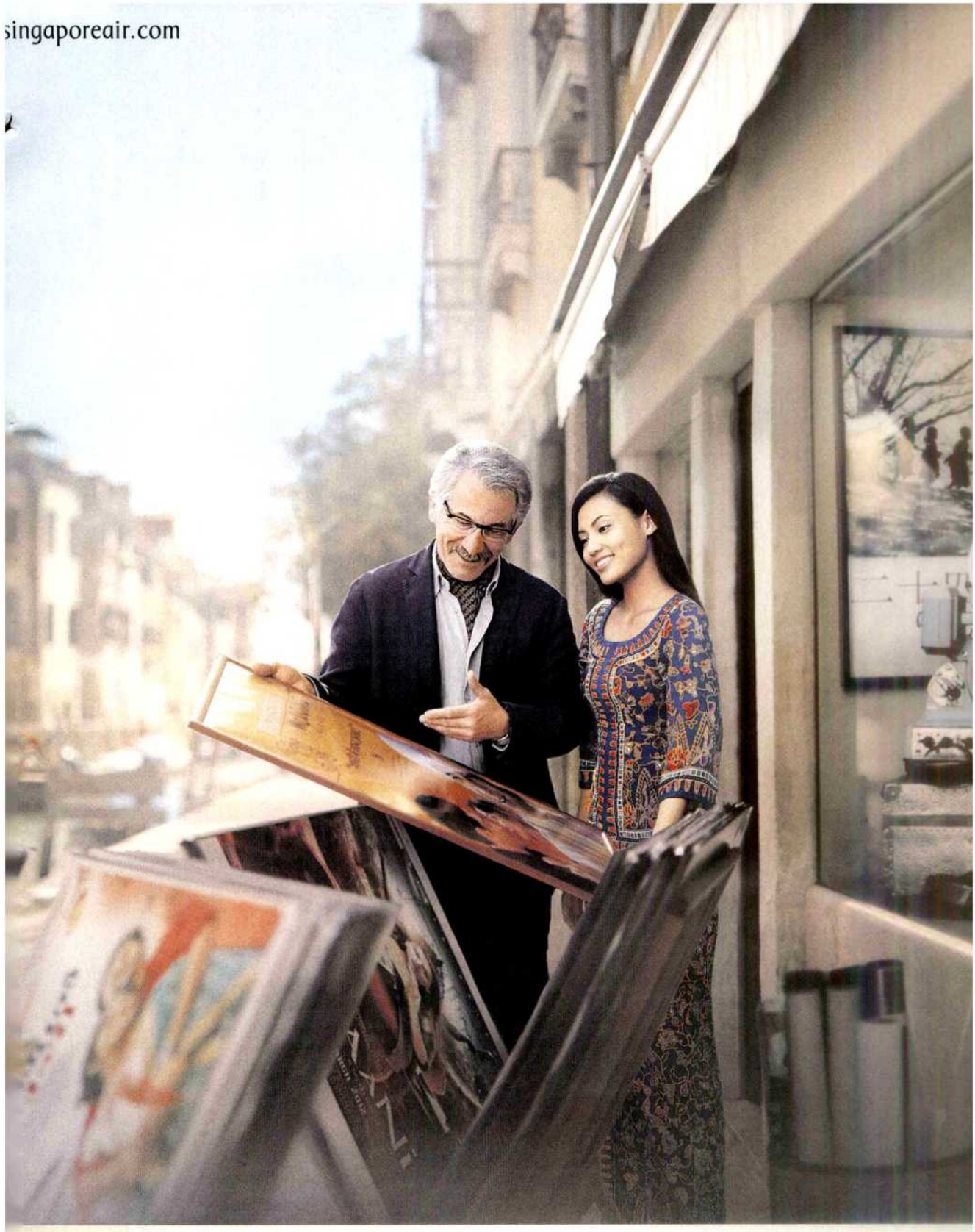

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FRACTURED LAND

CONSENT CLAUSE

Existing law

The state can acquire land for its own use or on behalf of private parties without the consent of landowners citing the imperative of 'public purpose'.

New bill

The state as well as private parties can acquire land. However, the consent of at least

80%

of landowners or,

70%

in case of Public-Private Partnership (PPP) projects – is mandatory.

Implications

More and more projects will get delayed. It is tough to adhere to this clause as landowners and land records are often untraceable.

COMPENSATION PACKAGE

Existing law

No clear guidelines

New bill

Landowners will be compensated **four times the market value* of the land** acquired in rural India and twice the value in urban areas. The Bill also provides compensation to those dependent on the land for livelihood (non-owner stakeholders).

Implications

- Land accounts for about **20-25 per cent of a project's cost.** Higher compensation could raise project costs sharply
- May lead to conflicts as it is very difficult to estimate the market price in remote areas.

*It will be determined by the average sale price for similar kind of land in the nearest village or nearest vicinity area

REHABILITATION AND RESETTLEMENT (R&R)

Existing law

R&R of those displaced not mandatory while acquiring land.

New bill

Mandatory R&R package to oustees and other stakeholders before possession.

Implications

Could lead to time and cost overrun of projects.

UNUTILISED LAND

Existing law

No clear guidelines

New bill

If land remains unutilised for five years after acquisition, it has to be returned, either to the owner or to the state land bank. If the new owner decides to sell the land, the original owner will get **40 per cent of the profit**

Implications

Could affect expansion plans of companies which are executed in various phases. Land can remain idle for some years.

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2012 was adopted by both Houses of Parliament recently with an overwhelming majority. It will replace the 120-year-old Land Acquisition Act, 1894. It makes mandatory rehabilitation and resettlement (R&R) of those whose lands are acquired and ensures fair compensation for them. But the bill will also make the land acquisition process more complicated and could delay projects, perhaps even impacting India's economic growth. A close look at some key provisions of the new law

APPLICABILITY

Existing law

No clear guidelines

New bill

Applicable only in cases where land acquired is more than

100 acres in rural areas and 50 acres in urban areas

Implications

Small projects are outside the purview of the bill. Real estate projects will not be impacted but large infrastructure projects will have to follow the provisions.

STATE VS CENTRE

Existing law

Land acquisition is in the Concurrent List. State governments have their own laws for acquiring land.

New bill

Retains status quo

Implications

States can easily acquire land under state laws and bypass R&R and compensation stipulations under the new bill. It could make implementation of the new law difficult.

RETROSPECTIVE CLAUSE

Existing law

Not applicable

New bill

The bill will be applied to

ongoing projects retrospectively

Implications

The retrospective applicability of the bill could hold-up ongoing industry projects, leading to unavoidable delays and consequent cost overruns at a time when the economy is already in bad shape.

MULTI-CROPPED LAND

Existing law

No bar on acquiring multi-cropped land

New bill

Does not permit acquiring multi-cropped land keeping in mind food security. Acquisition of such land is restricted to only

5 per cent of the land required for a project

Implications

Would affect projects

whose location cannot be chosen, such as mineral extraction. The governments of West Bengal, Punjab and Haryana – three states with large parcels of multi-cropped land – opposed this clause in the bill as they are worried it will affect

Graphic by Santosh Kushwaha | Research by Jyotindra Dubey

The Right Note

SoundNote is for those who have to take notes at meetings and write them up to keep a record. The app lets you create a new file to type while initiating an audio record of the meeting's proceedings. Evernote can do this too, but this app goes further, as it can give you the playback of what was being said when you were typing a particular sentence. So you don't need to skim through an entire file to get to a specific topic. Just touch the text. Plus, you can also scribble on the sides of the notes.

Cost: $4.99; iOS

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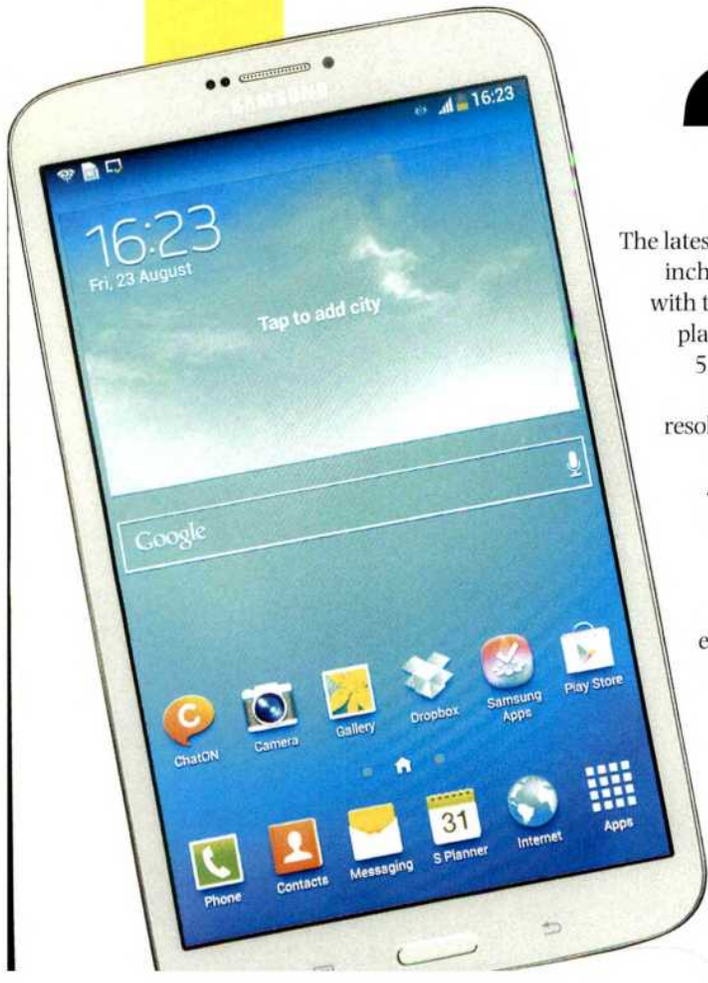
The LG Pocket Printer weighs 212 gram and will fit easily in your pocket. Much like a modern smartphone it has a minimal number of buttons. It charges quickly through a USB port and a single charge is good enough to last across a 10-sheet cartridge of photo paper. Android and iOS smartphones can connect to the printer using the LG Pocket Photo app, which is good for some Instagram-like editing as well. The printer uses Zink, or zero-ink, technology and does not have cartridges. For it to work, you need to add a blue sheet (supplied with the paper) under the photo paper. The printer has a resolution of 313 dpi and the 50x76 mm prints are surprisingly good.

NANDAGOPAL RAJAN

Very portable, easy to use

High cost per print

LG Pocket Printer **Price:** ₹14,999



Samsung Galaxy Tab 3 **Price:** ₹25,725

Little that's New

The latest in the Galaxy tablet series from Samsung has an eight-inch screen, the same as the Galaxy Note 8. Tab 3 continues with the same old Samsung smartphone design and the usual plastic back. It actually looks like an enlarged Galaxy Mega 5.8. Still, at 7.4 mm thickness and weighing 324 gram, it looks sleek and is comfortable to hold. The 1280x800p resolution is slightly low given the cost of the device, and the multimedia experience is about average. Tab 3 runs on Android v4.2 and comes with Samsung Touch Wiz user interface. It is powered by a 1.5 GHz dual core processor and paired with a 1.5 GB of RAM, making it a decent performer. Features such as multi-window mode for viewing video along with simultaneous checking of email, plus the personal assistant S-Voice, are also part of this tablet. It has a 5 MP rear camera, so images are just average. It comes with 16 GB internal storage.

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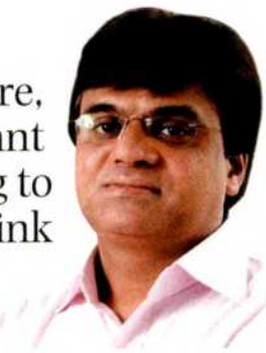
"We know the state (Gujarat) has high governance standards... he (Modi) has really worked well in Gujarat and now we expect him to emerge as a national leader"

Harsh Goenka, *Chairman, RPG Enterprises, in* Business Standard

"Modi has made Gujarat an investor-friendly state... Now, he should strengthen his secular profile"

Kiran Mazumdar-Shaw, *Chairman & MD, Biocon, to wire agencies*

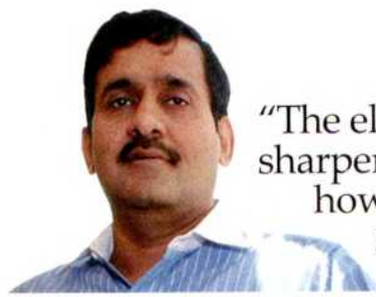


"Manufacturing, agriculture, services... all sectors badly want growth. With Modi promising to bring in the Gujarat model, I think he has a good chance"

Deven Choksey, *MD, K R Choksey Shares & Securities, to wire agencies*

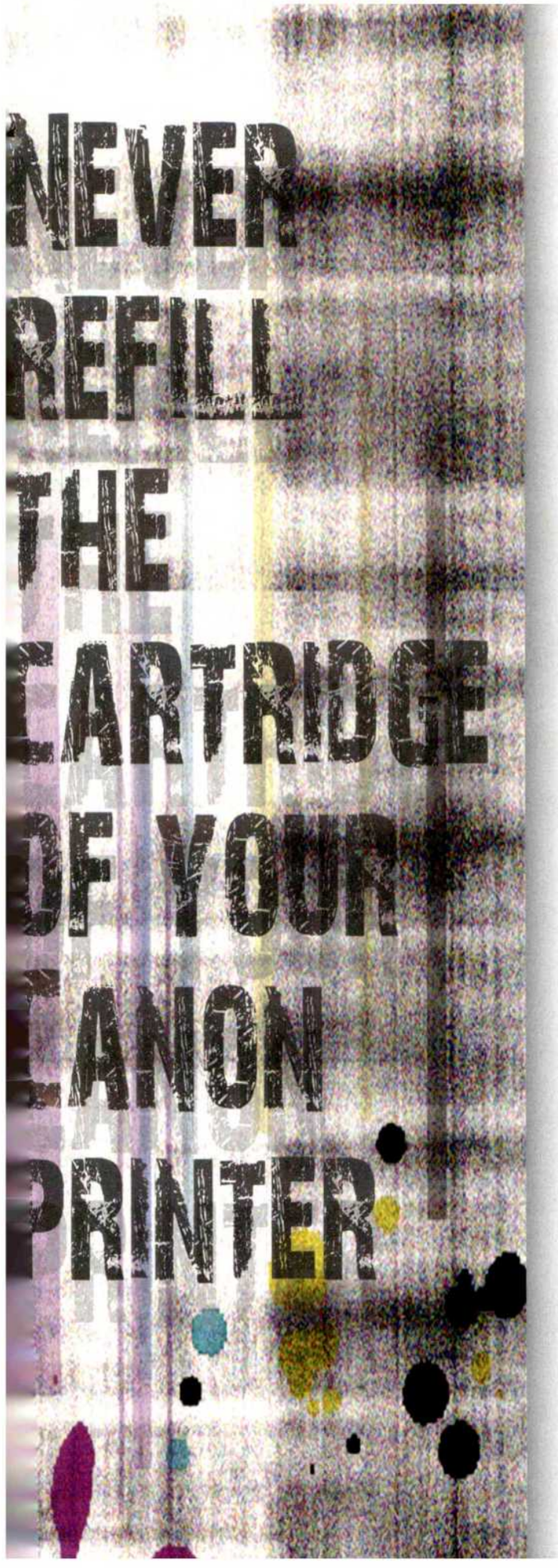
"IF BJP FORMS THE GOVERNMENT AND NARENDRA MODI BECOMES THE PRIME MINISTER, IT WILL BE HUGE POSITIVE FOR THE ECONOMY AND IT IS GOING TO BE POSITIVE FOR THE EQUITY MARKET AS WELL"

Vijai Mantri, *MD & CEO, Pramerica Mutual Fund, in* The Economic Times



"The election battle will become sharper now. The market will look at how he (Modi) is able to garner the support of the electorate"

Nirmal Jain, *Chairman, IIFL, in* Business Standard



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Smiling Through the Gloom

In the third edition of the survey, nearly half of all fund managers expect the Sensex to hover between 18,000 and 20,000. By MAHESH NAYAK

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1 Baroda Pioneer
2 Birla SunLife
3 BNP Paribas
4 Canara Robeco
5 DSP Blackrock
6 HDFC
7 HSBC
8 ICICI Prudential
9 Indiabulls
10 ING
11 Peerless
12 Quantum
13 Taurus
14 UTI

GRAPHICS BY SANTOSH

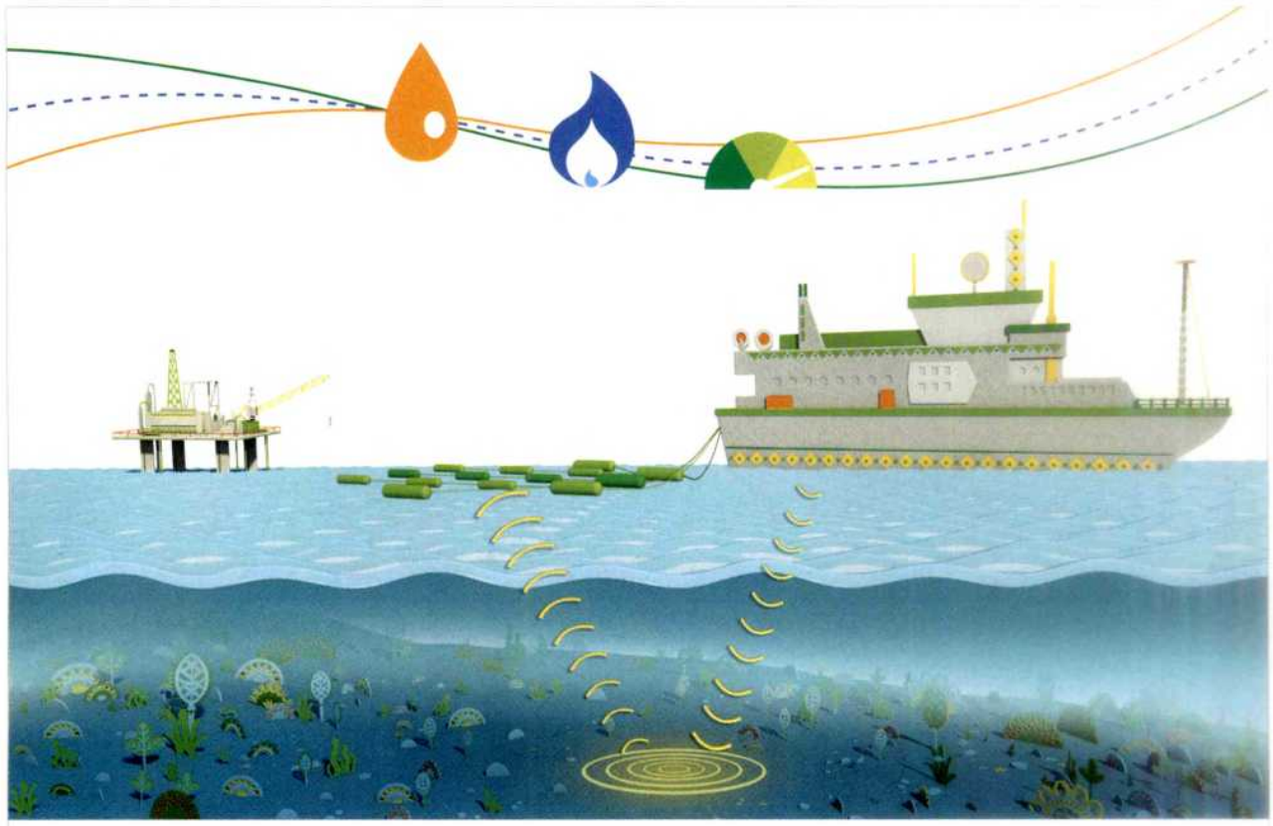
At the beginning of this year, Mrinal Singh, Fund Manager at ICICI Prudential Mutual Fund, was bearish on Indian equities. Not any more. Today he is considering doubling his equity allocation. "Equities have corrected, and attractive valuations are purely the reason for me to turn positive," he says. "From a 20-25 per cent equity allocation, I would have 50 per cent invested in equities, with the remaining 30 per cent in debt and 20 per cent in other asset classes such as real estate and gold."

He is betting on sectors such as banking, auto ancillaries and infrastructure. "If you are betting on India's growth, these sectors must perform, otherwise it makes no sense to invest in the markets," he says. Like most fund managers, Singh says he believes the government is still pushing for reform and trying to bring the battered Indian economy back on track, belated as the efforts may be.

Jaideep Bhattacharya, Managing Director at Baroda Pioneer Mutual Fund, has increased his fund's exposure to equities from 50 per cent to 65 per cent, and added overseas equity funds to its list. Over the next year, 71 per cent of fund managers who responded to the third *BT*-Morningstar Asset Allocation Survey see the US as the market most favoured by institutional investors globally.

"Though uncertainty remains, and the Indian market will be driven more by events, there are fewer options for investment," says Bhattacharya. "With consumer price

The survey covers 14 out of a total of 44 fund houses. These 14 account for half of all assets under management.



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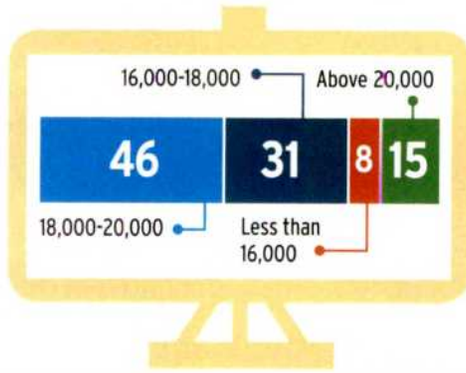
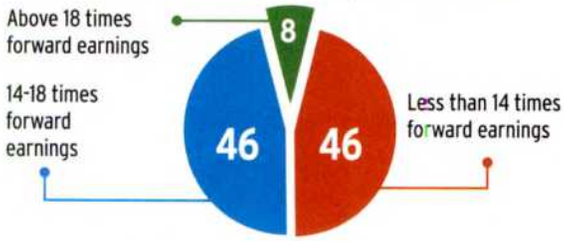
1 At what level do you expect the BSE Sensex to be a year from now?



2 What is your estimate of the Sensex's P/E ratio with a one-year horizon?



inflation in double digits, investing in equities can help." Like 46 per cent of fund managers surveyed, he expects the Sensex to move between 18,000 and 20,000 over the next year.

The mood is not bullish, but it's not negative, either. Three months ago, there was guarded optimism amid the gloom on the street, and now the fog seems to have cleared a little. Sandeep Shenoy, Executive Director - Institutional Equities at Anand Rathi Securities, told *Business Today* recently: "Most of the bad news – even the tapering of the QE – is factored into the price, and things look much better than before. But will I be a buyer across the board? The answer is no. I will stick to value and pick stocks of companies that are generating positive cash flows." He was speaking shortly before September 18, when the US Federal Reserve announced that it would delay a tapering of its quantitative easing policy, aimed at supporting the economy. The Fed's decision lifted markets worldwide.

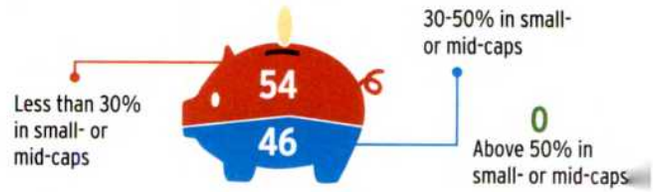
"Though the mood among fund managers remains positive, overall sentiment in the market is still negative," says Singh of ICICI Prudential. This is why, with a one-year horizon, 46 per cent of the fund managers surveyed see the Sensex's price-to-earnings (P/E) ratio falling below 14 times the forward earnings. In the second survey (see *Business Today* edition dated July 21,

3 Which sectors look attractive in the coming year?

4 Which sectors are you least confident about in the coming year?

5 How do you see the rupee relative to the US dollar over the coming year?

6 How do you think investors should allocate money over the next year?



7 Which leading global markets are likely to be most favoured by institutional investors over the next year?

All figures in per cent. Responses to #7 do not add up to 100% due to rounding

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Prints Per Refill	**6,000** (140ml ink bottle)	1,500 (original toner)	1,600 (ink cartridge)
Draft Speed	**34ppm**	16ppm	34ppm
Power Consumption	**12W**	360W	23W
Print Resolution	**1,440x720dpi**	1,200x600dpi	1,200x600dpi
Networking	**Built-in Ethernet**	No	Built-in Ethernet

*from the starter kit that includes the 140ml ink bottle + an extra 70ml ink bottle

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2013), 92 per cent of fund managers saw the Sensex's P/E ratio at 14 to 18 times forward earnings. Fund managers also favoured large-cap stocks over mid- and small-caps.

In the April-to-June quarter, 69 per cent of fund managers surveyed were ready to invest 30 to 50 per cent in mid- and small-cap stocks. In the present survey, that figure has dropped to 46 per cent, and the remaining 54 per cent of fund managers surveyed plan to invest less than 30 per cent in mid- and small caps. No fund manager wants an exposure beyond 50 per cent in such stocks.

Though fund managers see the equity market remaining range-bound, they don't see much happening in the Indian economy. Nearly half of them expect GDP to grow at 4.5 to five per cent. Ninety-two per cent expect the fiscal deficit to be between 4.5 and 5.5 per cent. There is also a broader expectation that wholesale price inflation will come down: in the previous survey, 69 per cent of fund managers expected inflation to be seven to eight per cent at the end of 2013, but that figure in the present survey is only eight per cent. Ninety-two per cent see inflation at five to seven per cent.

However, few expect the Reserve Bank of India to cut interest rates. Only 38 per cent expect the RBI to cut the repo rate – the rate at which banks borrow from the RBI – to less than seven per cent. The remaining 62 per cent expect the rate to continue at around seven to eight per cent. Indeed, on September 20, the RBI increased the repo rate by 25 basis points (one percentage point equals 100 basis points) to 7.5 per cent.

Views on the rupee's future vary. No fund manager surveyed sees the currency falling below ₹60 to the US dollar, and 46 per cent see it hovering between 60 and 62. Another 46 per cent see it moving above 64, and eight per cent see it between ₹62 and ₹64.

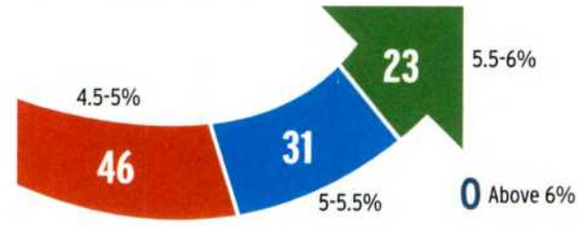
Interestingly, 36 per cent of fund managers have a positive outlook on gold, up from 9.1 per cent in the previous survey. However, the majority (43 per cent) still maintains a neutral position.

There is a widespread expectation that crude oil prices will stay more or less where they are – 69 per cent of respondents see them at $100-110 a barrel.

The latest survey includes questions about bond funds. Fifty-eight per cent of respondents said they would maintain the maturity period of their flagship ultra short-term bond fund at three to six months, and 67 per cent said the maturity period of their flagship short-term bond fund would be one to two years. ◆

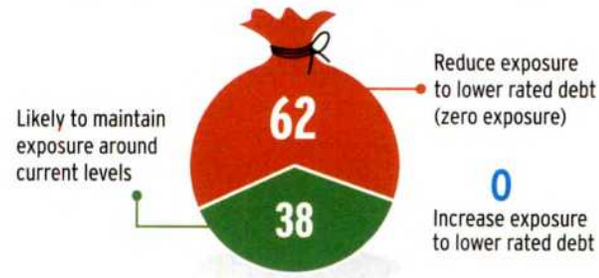
For previous BT-Morningstar surveys, go to www.businesstoday.in/archives-oct1313

8 With a one-year horizon, where do you see India's GDP growth?



9 Which theme do you expect will play out the best over two to three years?

10 Are you likely to raise/reduce exposure to lower rated debt instruments in your debt portfolio over the next one year?



11 What average maturity would you maintain in your flagship ultra short-term bond fund?

12 What average maturity would you maintain in your flagship short-term bond fund?

All figures in per cent

Source: BT-Morningstar Asset Allocation Survey

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DEBT-LADEN COMPANIES ARE SELLING OFF ASSETS AS A SLOWING ECONOMY, A WEAK RUPEE AND VOLATILE CAPITAL MARKETS OFFER LITTLE HOPE OF A TURNAROUND ANY TIME SOON.

By ANAND ADHIKARI
WITH BT TEAM

INDIA ON SALE

Kishore Biyani is smiling again. The poster boy of the retail revolution in India is starting a new business called Big Bazaar Direct. The e-commerce initiative involves setting up a network of franchisees who will take the Biyani-led Future Group's Big Bazaar retail chain to the doorsteps of consumers. The venture, says the company, will usher in the next retail revolution. While that may be a tad too optimistic, the new business certainly means Biyani has overcome the difficulties he was facing until recently.

What makes Biyani bullish? Until a year-and-a-half ago, Future Group was burdened with massive debt. But the company was not generating enough cash. That not only made repaying the debt difficult but also put a question mark on the company's survival. What did Biyani do? In April last year, he sold his profitable Pantaloon retail business to Aditya Birla Nuvo for ₹1,600 crore. A month later, he sold his financial services business to private equity player Warburg Pincus for ₹590 crore. And this year, he sold a 22.5 per cent stake in his life insurance joint venture with Italy's Generali for ₹300 crore. The sale of assets

(Source: Market)

helped him prune the debt to ₹3,500 crore from ₹10,000 crore two years ago, and put him back on track.

In debt-laden Corporate India there are several instances like the Future Group. While financially stressed companies globally are shedding assets – French retail giant Carrefour and Canadian gold producer Barrick Gold to name two – the trend is most visible in India. Corporate houses such as GMR Group, Anil Ambani's Reliance Group, Videocon Industries, Adani Group, GVK Group and Jaiprakash Associates have either sold some assets and stakes in the companies or are planning to do so in order to ease their debt burden.

The debt trap

A recent Credit Suisse report shows the collective borrowings of 10 large corporate houses rose 15 per cent in 2012/13. Anil Ambani's Reliance Group has a debt of ₹1,13,543 crore on its books while London-based mining tycoon Anil Agarwal's Vedanta Group owes ₹99,610 crore (see *A Mountain of Debt*). What raises alarm bells is the worsening interest coverage ratio at some companies. The ratio indicates a company's ability to pay interest on its loans. Companies with a ratio of more than one are considered to be generating enough operating income to meet their interest obligations. The ratio was 0.7 for GMR, 0.6 for Lanco Infratech, and 0.4 for GVK.

The interest coverage ratio is worsening because, while the debt is growing, interest rates remain high and revenue growth is slipping. The weighted average lending rate of state-run banks was 12.06 per cent in June 2013, compared with 12.65 per cent in March 2012, despite the central bank cutting its main lending rate by 125 basis points. According to ratings firm CRISIL Ltd, revenue growth at 1,500 listed companies was 15 to 18 per cent in 2011/12 but has fallen steadily since then. "Growth has plummeted to 3.8 per cent in the April-to-June quarter of this year," says Prasad Koparkar, Senior Director, CRISIL.

What brought Corporate India down to its knees? An economy going through its worst phase in a decade, tepid consumption and high interest rates all can be blamed for the current mess. A weak government that has delayed critical reforms in a range of sectors including financial services, mining, labour, land acquisition and energy has added to the problems. But, perhaps, the most important

reason why many corporate houses that were in the fast lane until a few years ago are now struggling to survive is past exuberance.

Sachindra Nath, Group CEO at Religare Enterprises Ltd, puts things in perspective. Corporate growth was funded purely out of debt, he says. "The hypothesis was that with debt they will grow the business. The equity valuation subsequently will go up and they will raise further capital," says Nath. This calculation went horribly wrong as the economy slowed and capital markets turned choppy.

Wake-up call

Aashish Mehra, Partner and Managing Director for Asia Pacific at consultancy Strategic Decisions Group, says irrational exuberance, poor risk assessment and overconfidence among companies that they will be able to manage things if they go wrong led them on the path to self-destruction. "Business houses went overboard with their investments during the boom of 2000-2007, choosing to live beyond their means," he says. "When they realised they might be stuck with a few lemons and they were unable to manage them, that turned out to be a wake-up call and forced them to put up a 'on sale' tag."

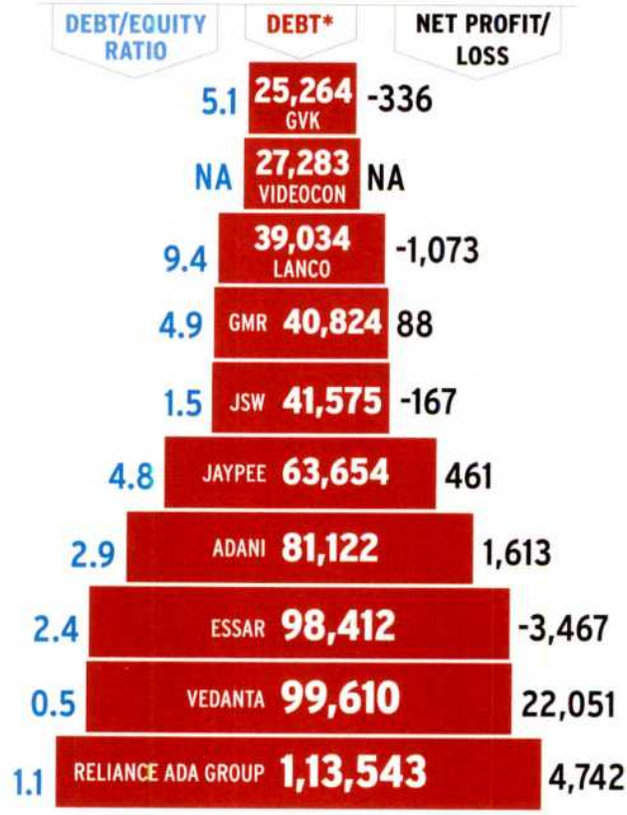
A prime example of irrational exuberance is Vijay Mallya's Kingfisher Airlines, which began operations in 2005. It took on debt to buy planes and acquire a low-cost airline in 2007. By 2011 it became India's second-largest carrier by market share. But it never made a profit and, by early 2012, wasn't generating enough cash to service loans, make tax payments or pay staff salaries. Soon, employees struck work, the tax department froze its accounts and banks refused to lend more. The airline was ultimately grounded, but not before it weakened its parent UB Group and forced Mallya to sell a controlling stake in flagship United Spirits to Diageo Plc in November 2012.

Naresh Goyal, founder of Jet Airways, has fared no better. Jet's debt crossed ₹12,000 crore last year. In April, Jet sold a 24 per cent stake to Gulf carrier Etihad Airways.

The aviation sector, however, is not the worst affected. Companies in infrastructure, real estate and energy sectors lead this race. Hyderabad-based infrastructure conglomerate GVK Group is looking to raise about ₹2,200 crore by selling a stake in GVK Airport Holdings to trim debt. The cash-strapped group operates Mumbai and Bangalore airports. Finance chief Issac A. George says the company hopes to finalise a deal by December.

A MOUNTAIN OF DEBT

Several companies borrowed heavily during the boom years



(*Group-level gross debt as of March 2013; Debt and net profit in ₹ crore; JSW data for June 2013; Videocon debt for 2011/12; Source: Credit Suisse Report, August 2013)

IN THE PIPELINE

Companies which plan to sell assets

RELIANCE GROUP

The Anil Ambani group plans to sell land and a stake in its DTH business

GMR

The company plans to exit four toll road projects and airports overseas

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AI9621 (Mumbai to Gwalior)	BOM 1215	GWL 1400	Mon, Thu
AI9622 (Gwalior to Mumbai)	GWL 1430	BOM 1615	Mon, Thu
AI9623 (Mumbai to Agra)	BOM 1215	AGR 1410	Tue, Fri
AI9624 (Agra to Mumbai)	AGR 1440	BOM 1635	Tue, Fri

एअर इंडिया
AIR INDIA

GVK's southern rival GMR Group sold a 74 per cent stake in a highway project in September for ₹222 crore to a fund of infrastructure financier IDFC. This was the second sale of a road project within six months by the Bangalore-based infrastructure group founded by G.M. Rao. The company had in March sold its Singapore power plant. More assets could be put on the block. Madhu Terdal, Group Chief Financial Officer at GMR Group, says the corporate house continues to focus on creating liquidity and reducing debt.

Also in September, Jaiprakash Industries, the Delhi-based builder of roads, dams and townships, sold its Gujarat cement assets to UltraTech Cement. The sale of assets with a cement production capacity of 4.8 million tonnes a year will help Jaiprakash cut its debt by ₹3,600 crore. But it isn't enough to ease the ₹56,000 crore debt burden substantially, and the company is also planning to sell some of its hydroelectric power plants and land.

In Gurgaon, DLF, is also striving to cut debt. The country's biggest property developer had diversified into the hospitality sector in 2006 after tying up with global hotel chain Hilton International. In 2007, it bought a controlling stake in Singapore-based hotel chain Amanresorts International for $400 million. But the plans didn't work out. The hotels industry suffered a jolt after the global economic crisis led to a fall in tourist traffic. Simultaneously, demand for property dropped and raising funds became challenging. DLF's net debt shot up to ₹22,725 crore in 2011/12 from ₹10,323 crore in 2007/08. The company embarked on a debt-reduction programme in November 2011 when it bought out Hilton from their joint venture to make the asset sales easier. Last year, DLF sold four land parcels, where it had planned to build hotels with Hilton, to a Kolkata-based consortium for ₹567 crore. It is also looking for a buyer for Amanresorts. The efforts have helped cut its net debt to ₹20,369 crore.

Asset sales are happening in the energy sector, too. In June, Videocon Industries sold its 10 per cent stake in a Mozambique gas block to a consortium of Oil & Natural Gas Corporation and Oil India for $2.48 billion (about ₹17,000 crore). The sale will help the consumer electronics company led by Venugopal Dhoot to slash its debt to ₹10,000 crore from ₹27,000 crore. Another energy company buried under a pile of debt is Suzlon. The Pune-based wind turbine maker in September sold a majority stake in its China arm to a local company for about ₹177 crore to battle its ₹13,000 crore debt. Loss-making Lanco Infratech is restructuring its debt and looking to sell some of its power plants.

> "In the last few years, corporate growth was funded out of debt. The hypothesis was that with debt they will grow the business and subsequently equity valuation will go up for raising more capital. A subdued stock market, however, changed everything"
>
> **SHACHINDRA NATH**
> Group Chief Executive Officer, Religare Enterprises

Some companies fell into the debt trap while growing their overseas businesses. Brothers Malvinder and Shivinder Singh expanded their Fortis Healthcare hospital chain in the past few years through overseas acquisitions by borrowing money. Recently, the company sold its businesses in Vietnam and Australia, which helped prune its debt to ₹3,284 crore from ₹7,000 crore. The company's focus is on improving operating performance though it could evaluate more options for divestment if required, says Group CEO Vishal Bali.

Shree Renuka Sugars is another company which expanded its global footprint in recent years. The company ventured into Brazil with the acquisition of two loss-making companies in 2010. The sugar maker is now saddled with ₹7,590 crore of debt, of which ₹5,190 crore is on the books of the Brazilian companies. The company's problems

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mounted after a drought in the South American nation hurt output. The Brazilian real's steep drop against the US dollar has made debt servicing even more difficult. The company is now looking to sell some Brazilian assets including a power plant.

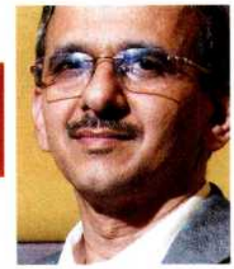
Share pledges, loan refinancing

Selling assets, especially those core to a company's business, is rarely the first choice for founders. "There is always an aversion to sell assets," says Koparkar of CRISIL. Financially stressed companies initially try to cut costs, defer expansion plans, sell or pledge shares to raise funds, and refinance loans. When these options fail, companies sell their assets. "There is no one-size-fits-all solution," says Michael J. Surface, Leader-Advisory at consulting firm PricewaterhouseCoopers (PwC) India. "It depends on the company and its liquidity position."

> "There is always an aversion to selling assets. But refinancing options by way of overseas borrowing or domestic debt are also drying up"
>
> **PRASAD KOPARKAR**
> Senior Director, CRISIL

Companies where founders pledged shares have another problem to worry about. Suzlon's founders have pledged almost their entire stake in the company while promoters of Jaypee Infratech have put more than 80 per cent of their holding as collateral with lenders. The pledging turned counter-productive when companies' stock market valuations dropped. For instance, the market value of Shree Renuka, where founders have pledged about 39 per cent of their stake in the company, has fallen to about ₹1,200 crore from ₹2,700 crore five years ago. Similar is the case with Videocon. Its founders have pledged two-thirds of their stake and its market value has slumped to about ₹5,600 crore from nearly ₹10,000 crore in 2007.

Some companies have managed to refinance their loans from local and overseas lenders. In January 2012, Anil Ambani's Reliance Communications refinanced its foreign currency convertible bonds of $1.18 billion from three Chinese lenders. But not everyone is as successful as Ambani in refinancing loans. Suzlon defaulted on its overseas bonds last year, though it also managed to raise fresh debt this year to repay existing loans. "The refinancing options have dried up," says Koparkar. "A weak rupee has only increased the cost of hedging [overseas loans]."



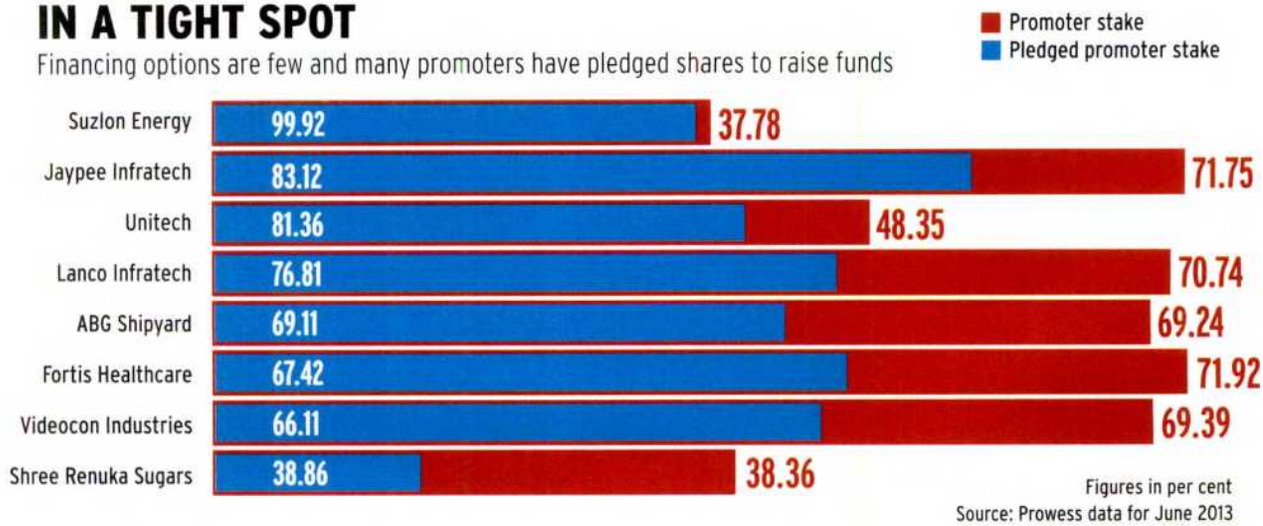
Cautious banks

Many debt-laden companies have delayed interest payments or defaulted on loans. This has pushed banks' bad loans higher. Gross bad loans at Indian banks have jumped to 3.92 per cent of total loans in June 2013 from 2.36 per cent in March 2011. According to the Reserve Bank of India (RBI), stress tests suggest gross bad loans may rise to 4.4 per cent by March 2014 in a severe stress scenario.

Banks have also seen a rapid rise in loan restructuring. The size of restructured assets as a percentage of gross advances of banks has more than doubled to above six per cent as of June 2013 from 2.6 per cent in December 2010. Kuntal Sur, Director for advisory services at consulting firm KPMG, says debt restructuring is not unusual during economic downturns but it needs total commitment from the founders of a company to succeed.

IN A TIGHT SPOT

Financing options are few and many promoters have pledged shares to raise funds



Figures in per cent
Source: Prowess data for June 2013

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TOUGH TIMES

The amount of restructured debt by Indian companies has ballooned

(In ₹ billion)

(Source: CAFRAL / September 2012)

The level of restructured debt has reached alarming levels at some lenders such as Central Bank of India and Indian Overseas Bank. Central Bank of India's restructured portfolio is at ₹14,000 crore to ₹15,000 crore, says Executive Director R.K. Goyal. "Our restructured portfolio is a bit higher because of exposure to discoms [power distribution companies]. If you exclude the discoms, the restructured assets are about ₹6,000-7,000 crore, which is equal to three per cent of our total advances," he says.

> "Promoters do not have a divine right to stay in charge regardless of how badly they mismanage an enterprise, nor do they have the right to use the banking system to recapitalise their failed ventures"
>
> **RAGHURAM RAJAN**
> Governor, Reserve Bank of India

Rising defaults and debt recasts have made banks wary of lending. "Banks are sitting on a lot of liquidity but they are cautious about where they invest and who they invest with," says PwC's Surface. Avinash Gupta, Senior Director at business services firm Deloitte Touche Tohmatsu India, says banks are looking for better quality assets. "You can't keep pushing the can down the road," he says. "Sometimes you will have to stop and keep looking for better assets."

Banks are also putting pressure on overleveraged corporate houses to let go of some assets. And this pressure is unlikely to ease. The new RBI governor has made his stand clear. Banks must improve the efficiency of the loan recovery system. Raghuram Rajan said on September 4, the day he assumed office. "Promoters do not have a divine right to stay in charge regardless of how badly they mismanage an enterprise, nor do they have the right to use the banking system to recapitalise their failed ventures," he added.

So, what is in store for debt-laden companies? "Those who lack management capability and financial strength may have to get out of the business and completely rethink the portfolio," says Suresh Subudhi, Partner and Director at Boston Consulting Group. Companies with strong management will need to churn their business portfolio, he says. They must retain cash-generating assets and sell cash-sinking assets to improve revenue growth and enhance profitability, he adds. Mehra of Strategic Decisions Group agrees. While divesting assets, the key question companies face is whether they should sell the lemons or the crown jewels. "It would be a pity to be left only with a lemon portfolio by divesting the crown jewels," he says. "Perhaps the answer is in the right combination."

There are some who are optimistic about the future. "Liquidity is improving and the government has cleared many stalled projects," says Goyal of Central Bank of India. The asset sales will release the funds as well as management bandwidth for corporate houses to focus on their main businesses. Nath of Religare says corporate houses are no longer overenthusiastic and are thinking through their business plans. Retail pioneer Biyani has shown how to make tough decisions and come back. It's time for others to take a cue. ◆

WITH INPUTS FROM NITI KIRAN, AJITA SHASHIDHAR, MANISHA SINGHAL, AJAY MODI, SUPROTIP GHOSH, E. KUMAR SHARMA, ANILESH S. MAHAJAN, AND MANU KAUSHIK

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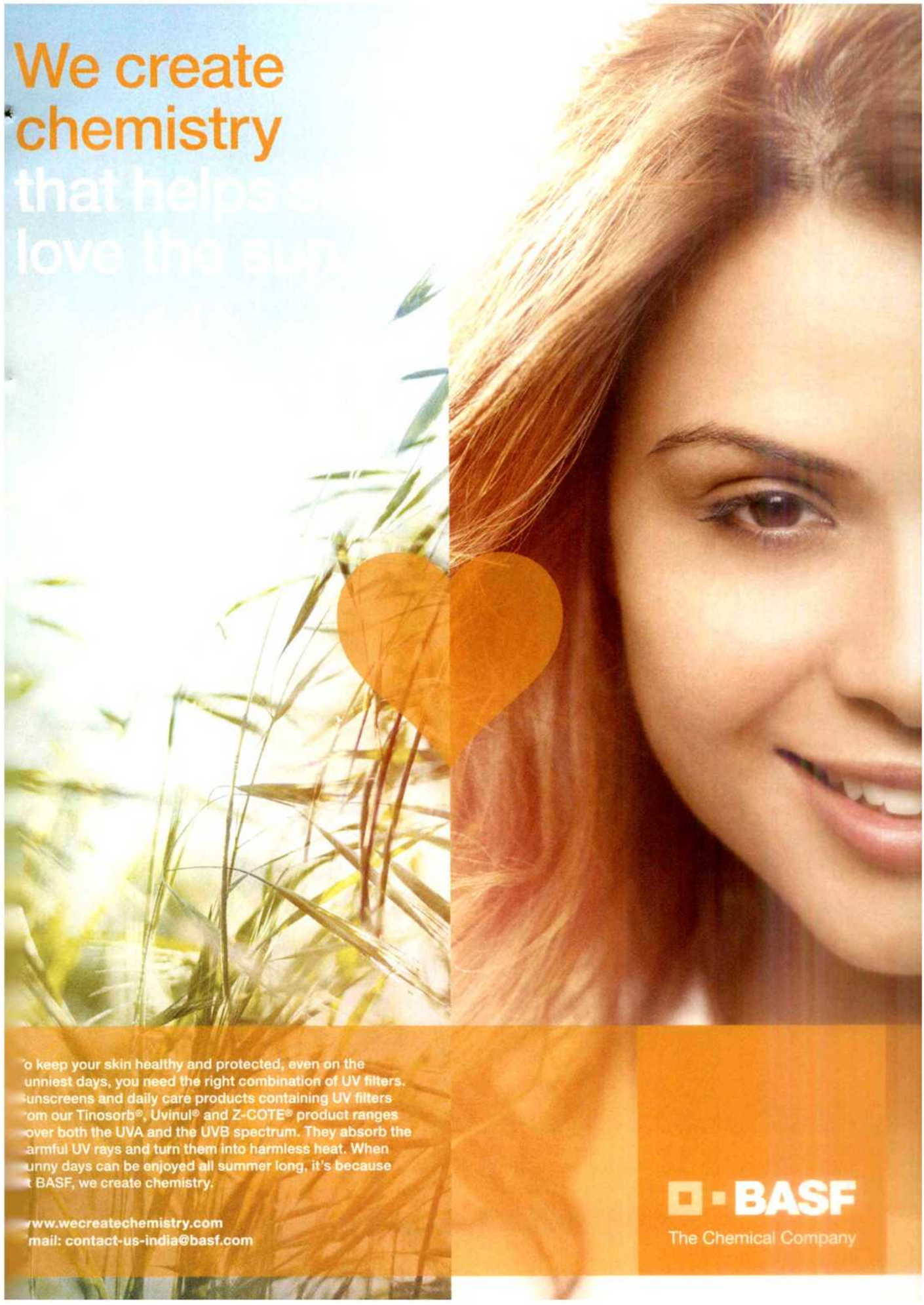
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For a Fistful of Sky

India is the new battleground for bitter UK rivals British Airways and Virgin Atlantic.

By MANISHA SINGHAL

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

"It's all about putting the Indian customer at the heart of the products and services that we are developing"
Kate Thornton, Head of Product and Services, British Airways

They have fought toe-to-toe over routes, ticket prices and a piece of the sky for over two decades. Now British Airways (BA) and Virgin Atlantic Airways are ready to slug it out in a new ring – India – with the two long-haul airlines looking to expand their offerings and increase their share of Indian travellers flying to Europe and North America.

"India is a strong focus for us and a big part of our strategy," says Virgin Atlantic CEO Craig Kreeger, who visited the country in late August. Close on the heels of his visit, Kate Thornton, Head of Product and Service at BA, came calling to reinforce the airline's position as the largest British carrier operating from India and to launch its 'To Fly. To Serve' global marketing campaign. "India is a competitive market and there is new competition coming in," she says. "As a brand we need to respond to the competition and this keeps us on our toes."

The visits followed shortly after Virgin, founded by billionaire Sir Richard Branson, entered into a tie-up with Delta Air Lines that entailed the US carrier buying a 49 per cent stake in the UK airline. The

Connecting to the World

The global networks of British Airways and Virgin Atlantic

	GLOBAL CONNECTIVITY	INDIA CONNECTIVITY
BRITISH AIRWAYS	850 DESTINATIONS → 150 COUNTRIES (Alliances and partners included)	48 WEEKLY FLIGHTS (After it adds Hyderabad in October)
Virgin atlantic	108 DESTINATIONS → 17 COUNTRIES (Alliances and partners included)	14 WEEKLY FLIGHTS

Source: Companies

tie-up also involves the two carriers coordinating on transatlantic flights between the US and the UK, in a clear challenge to BA's market dominating joint venture with American Airlines that has been in operation since 2011.

Why are BA and Virgin interested in India? Travel experts say that, while the transatlantic market is critical for European airlines to expand, India acts like a feeder market which helps them grow their European and North American operations. India also provides a steady stream of passengers for the UK market. Virgin says its Little Red intra-UK service that was launched in March and connects London with Manchester, Edinburgh and Aberdeen will tap these travellers.

The more important reason is rising competition from Gulf carriers such as Emirates Airline and Etihad Airways. "Gulf carriers not only offer more flights from India to Europe and North America but also connect more cities in these regions," says Keyur Joshi, Chief Commercial Officer at travel portal MakeMyTrip.com. "European carriers have lost the South Asia plot to Gulf carriers."

Dubai-based Emirates operates 185 flights a week to 10 Indian destinations. BA, which has been operating in India for 84 years, connects five cities with 48 weekly flights. Virgin has only one daily flight each from Delhi and Mumbai. Emirates is the largest foreign airline in India and carried 13.04 per cent of passengers who flew out of the country in 2011/12, government data show. BA had a share of barely three per cent. The data for Virgin was not disclosed.

Etihad, based in Abu Dhabi, is also expanding its India presence. It has agreed to pick up a 24 per cent stake in Jet Airways, India's second-largest carrier by market share. "Etihad and Emirates will do a bloodbath on the UAE-UK route," says Amber Dubey, Partner at consulting firm KPMG India. "They will hurt direct flights [operated by BA and Virgin] by bringing the fares down."

Both BA and Virgin claim to be unperturbed, though. Kreeger, who took over as Virgin's CEO in February, says there is enough demand from Indian travellers to fly to North America via Britain. "London has a market of itself and it is an incredibly important part of our offering," he says. He adds that Virgin wants to add more destinations in India and enter into code-share pacts with local partners. But he declines to name the airlines he wants to tie up with.

Thornton says BA also has a high proportion of Indian customers transiting in London while going to the US. Chris Fordyce, Commercial Manager for South Asia at BA, adds that the Jet-Etihad deal will not affect the British carrier. The Jet-Etihad combine will focus on connecting smaller cities in India to US cities. "Our core focus is on the key cities

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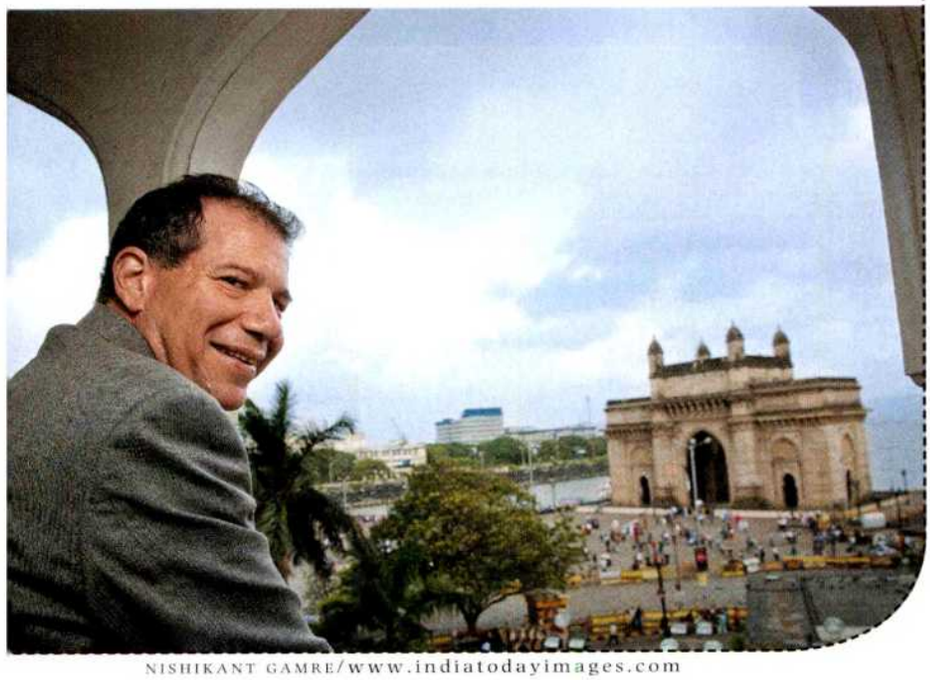

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(five metros) that we fly to and then connecting those markets to a global network," he says.

Data provided by MakeMyTrip.com show that BA garnered a 16 per cent share in the number of passengers flying from India to the US and Canada during the first half of 2013. Virgin had a four per cent share, but it would want to push that number up after the Delta deal. "We will have Delta helping us to sell our services to the US," says Kreeger.

Travel trade experts say that airline alliances such as OneWorld, Star Alliance and SkyTeam will also help European carriers compete with their Gulf rivals. BA and American Airlines are members of OneWorld while Delta is associated with SkyTeam. Virgin, Emirates and Etihad are not members of any alliance. "These alliances enable customers to enjoy seamless connectivity across regions and earn them frequent-flier miles across all carriers," says John Nair, Vice President for Business Travel at Cox & Kings Ltd.

Both BA and Virgin are also adapting their services to suit Indian tastes. Thornton says BA is reviewing everything from in-flight entertainment, languages, and meals for Indian travellers. "It's all about putting the Indian customer at the heart of the products and services that we are developing," she says. Paul Rogers, Marketing Manager for the Middle East and Asia-Pacific region at BA, says the airline will launch India-specific marketing campaigns. "We're putting in more money into India now than ever before," he says.

Kreeger says Virgin aircraft flying to India have entertainment systems loaded with Hindi movies. The airline also allows extra baggage and offers Indian food designed by its local teams. "We offer a combination of things that seems to be very attractive to the Indian market," he says.

Marketing experts say BA and Virgin must boost their image among Indian fliers to compete with Gulf carriers. While Branson's promotions for Virgin have given it a leg-up, BA needs to work a lot more to raise awareness about its brand. "BA is resting on its legacy while Virgin has proved to be a challenger brand," says Santosh Desai, CEO of Future Brands, a brand management consultancy.

> "India is a strong focus for us... What I see is a little bit of easing of short-term growth in India. I do not see a long-term threat"
>
> **Craig Kreeger**
> **CEO, Virgin Atlantic Airways**

Kreeger says the words that best describe Virgin are entrepreneurial, adventurous, exciting and glamorous. Thornton is quick to defend BA. "We also have a very strong brand," she says. Then she retorts: "Branson is a strong brand. So, are we talking about a brand Branson or about Virgin Atlantic?"

While BA and Virgin fight to expand their India operations, they also face common challenges. A weak rupee, high operational costs and slacking demand for air travel due to high fares over the past few months have taken the sheen off the India aviation story. BA says it is watching the India market carefully on a long-term basis. "We are seeing sustained growth particularly in the premium economy market," says Fordyce, its South Asia commercial manager.

Kreeger is also cautious about investing in India, though he is not averse to forming a joint venture in any market as a general strategy. "We're currently not in a financial position to look at buying a stake in any existing airline in India. In the future will there be some opportunity? I don't know. Maybe," he says. But he is not in any doubt about India's potential. "What I see is a little bit of easing of short-term growth in India," he says. "I do not see a long-term threat." ◆

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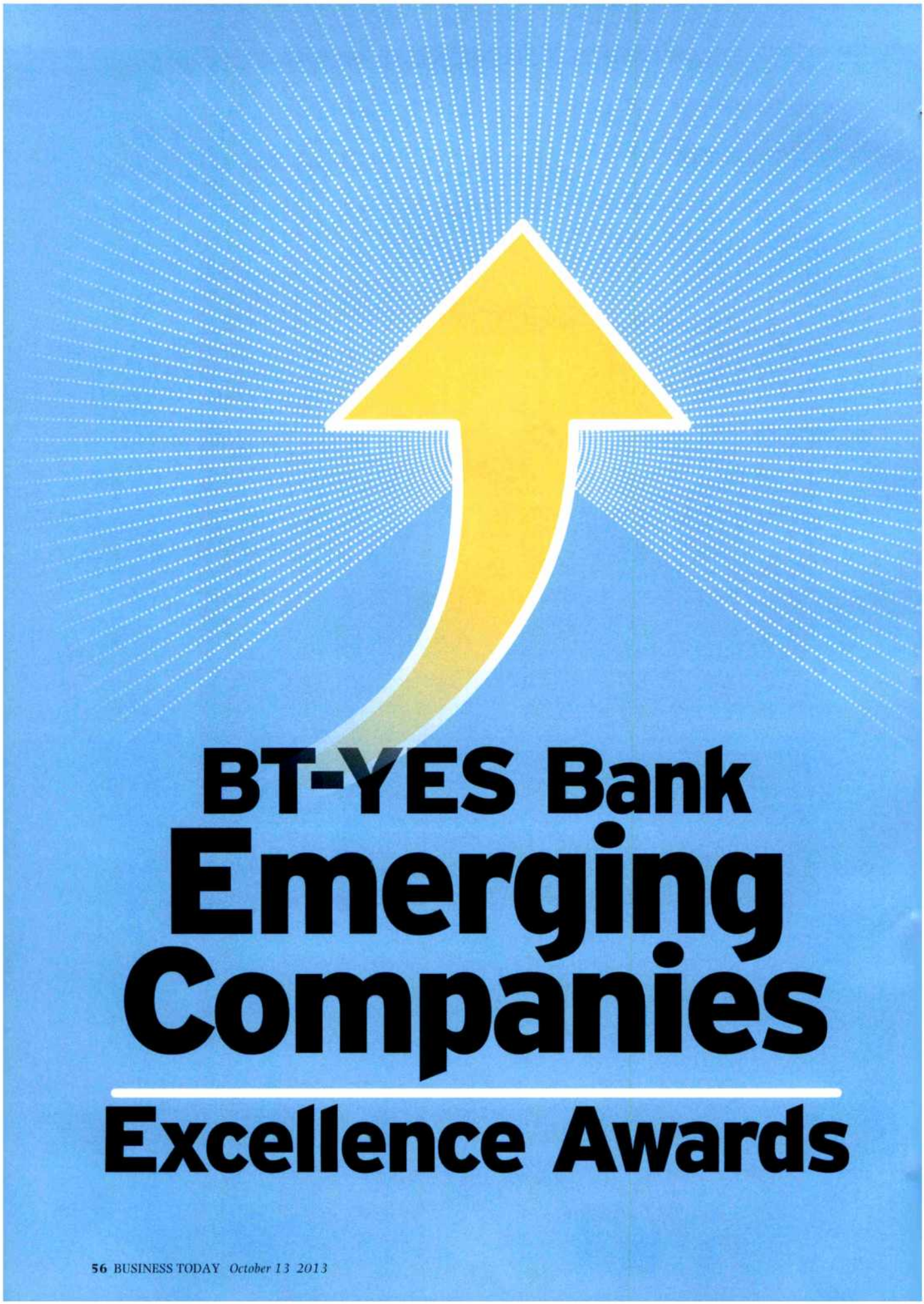


BT-YES Bank Emerging Companies Excellence Awards

A new survey of mid-sized, unlisted companies unearths little known but fundamentally sound, fast-growing companies. Will they be the giants of tomorrow?

BY ALOKESH BHATTACHARYYA

WINNERS:

AKUMS DRUGS & PHARMA

ERIS LIFESCIENCES

GR INFRAPROJECTS

DR LAL PATHLABS

TRANSASIA BIO-MEDICALS

RAAJRATNA METALS

MINEX METALLURGICAL

TULASI SEEDS

There are thousands of companies – in different corners of India, some with revenues of hundreds of crores – we know little about because they are not listed on stock exchanges. At *Business Today*, we felt we needed to unearth the gems among them and bring them into the limelight.

To this end, we launched the "Emerging Companies Excellence Survey & Awards" this year. Our knowledge partner is YES Bank, which also partners us on the Best SME and Best CFO surveys, and procedure reviewer is PricewaterhouseCoopers (PwC).In this inaugural year, we identified nine award categories. These awards can be broadly classified into two kinds – financial and non-financial. It was mandatory to apply for the five financial categories, while participation in the three non-financial categories was voluntary. There was also the overall Best Emerging Company award (see *Awards and Awardees* for details).

Companies that were unlisted, had revenues in 2011/12 between ₹200 crore and ₹1,000 crore, and had existed for at least five years qualified to apply. We did not apply a maximum limit for company age as we wanted to encourage all unlisted companies to apply and familiarise themselves with the survey. Multinational companies and public sector enterprises were not included.

The Ranking Process

To start with, we sought the help of the Ministry of Corporate Affairs for databases of unlisted companies through the Registrar of Companies. The companies on these lists were then contacted by YES Bank through its network of representatives. The application form was also available online for companies to apply.

As many as 526 companies from all over India applied. Their applications were screened by YES Bank's research and analytics team for completeness

BT-YES Bank
Emerging Companies
Excellence Awards

and accuracy, and global filters were applied – turnover and vintage parameters, plus positive profit, net worth and revenue growth over three fiscal years ending 2011/12. This process whittled the list down to 332 companies, which were then approached for audited financial reports and other information. After filtering out companies that did not send the required documentation, 177 of them were chosen for Phase II of the process.

THE PARAMETERS

Conditions companies had to satisfy to qualify

- ☑ Only unlisted companies
- ☑ Turnover between ₹20 cr and ₹1,000 cr in FY2012
- ☑ At least five years old as of December 31, 2012; no maximum age limit
- ☑ Positive profit after tax*
- ☑ Positive net worth*
- ☑ Positive revenue growth*

*For all three years between FY10 and FY12

Phase II began with a generic evaluation – based on parameters such as profit margin growth, revenue growth, return on capital employed, etc. This was followed by award-specific evaluations. For example, for 'global business excellence', parameters such as export growth, exports as percentage of net sales, number of countries exported to, etc, were used. A category like 'employment creation' was not a simple matter of just how many employees companies had hired, but also about profit as a percentage of number of employees, etc.

For the non-financial awards, expert opinion was solicited of industry leaders and academicians from varied sectors and their scores taken into consideration.

The generic evaluation and award-specific evaluation scores were then combined in 40:60 weights to arrive at final scores for Phase II. The results of each phase were reviewed by PwC, and their suggestions and corrections incorporated. The top three scoring companies in each category were then presented before a jury panel.

The jury was chaired by Ashok Chawla, Chairman of the Competition Commission of India, and included G.N. Bajpai, former Chairman of SEBI and currently Chairman of Future Generali India Insurance Company; Shardul Shroff, Managing Partner of law firm Amarchand & Mangaldas & Suresh A. Shroff & Co; Ravi Sud, Chief Financial Officer of India's No. 1 two-wheeler company Hero MotoCorp; and Bakul Dholakia, former director of IIM-Ahmedabad and currently Director of Adani Institute of Infrastructure Management and Gujarat Adani Institute of Medical Sciences.

AWARDS AND AWARDEES

Scalability of Business Model

WHAT IT MEANS: Demonstrated underlying capability to offer substantial growth

WINNER:
Eris Lifesciences Pvt Ltd, Ahmedabad

Managing Operational Efficiencies

WHAT IT MEANS: Best utilization of business inputs and processes

WINNER:
Eris Lifesciences Pvt Ltd, Ahmedabad

Capital Management

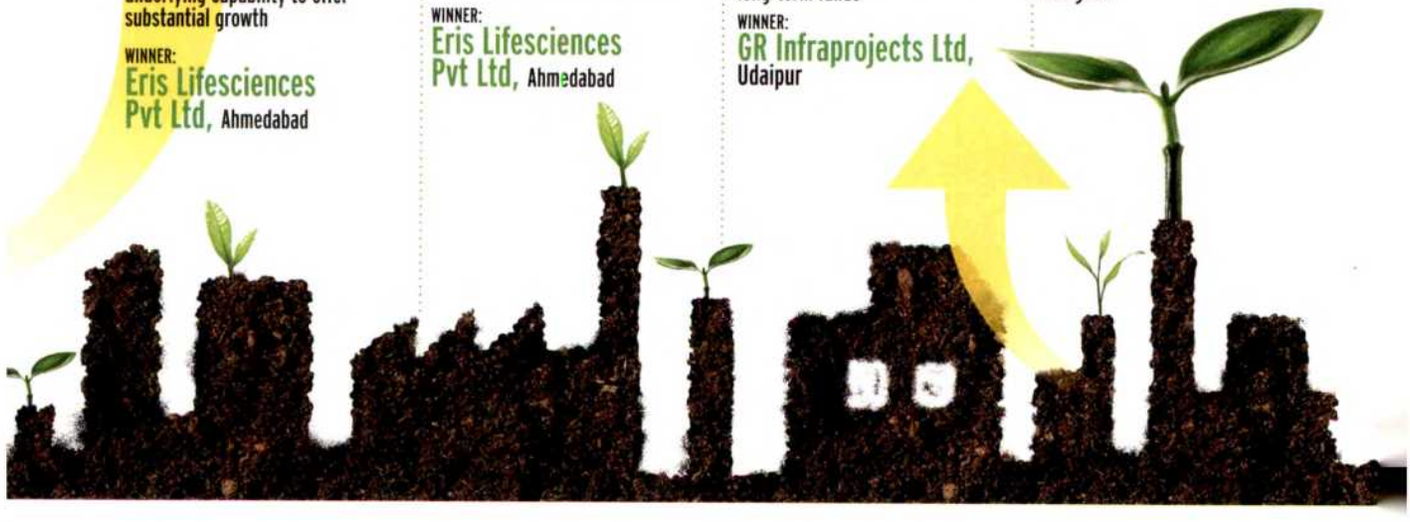
WHAT IT MEANS: Maintaining efficient levels of short term & long-term funds

WINNER:
GR Infraprojects Ltd, Udaipur

Employment Creation

WHAT IT MEANS: Growth in company size leading to employment generation

WINNER:
Dr Lal PathLabs Pvt Ltd, Gurgaon



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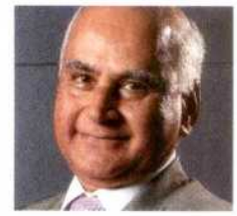

The power pack: Left to Right: **(Non-voting members)** Devang Rawal, President & Regional Business Head - Emerging Corporates Banking, YES Bank; Chaitanya Kalbag, Editor, Business Today; Shashank Jain, Executive Director, PwC; **Jury members:** Ashok Chawla, Chairman, Competition Commission of India; Shardul Shroff, Managing Partner, Amarchand & Mangaldas; Ravi Sud, CFO, Hero MotoCorp; **(Top left)** G.N. Bajpai, Chairman, Future Generali India Insurance Co.; **(Top right)** Bakul Dholakia, Director, Adani Institute of Infrastructure Management and Gujarat Adani Institute of Medical Sciences

While the choice of winners for eight categories went smoothly, the jury disagreed with our methodology for the Best Emerging Company award. Nine financial parameters had been processed to churn out three nominees. But the jury felt that companies which had not applied for the corporate governance award –a voluntary participation category – should not be considered.

So, we went back to the drawing board. We picked out the names of companies that had applied for corporate governance. There were 22. These were then ranked by how many times they featured in the top five of the other eight award categories. The names of the three top nominees that emerged were then emailed to individual jury members, who then sent in their scores.

The results of this exhaustive exercise are laid out before you across the next few pages. We hope you will enjoy reading the stories of the companies we discovered as much as we enjoyed finding them. ◆

Global Business Excellence

WHAT IT MEANS: Presence of a substantial global customer base/operations

WINNER:

Transasia Bio-Medicals Ltd, Mumbai and **Raajratna Metal Industries Ltd,** Ahmedabad

Corporate Governance

WHAT IT MEANS: Fulfilling basic regulatory compliances and also voluntarily initiating best practices

WINNER:

Akums Drugs & Pharmaceuticals Ltd, New Delhi

Most Innovative Company

WHAT IT MEANS: Sustained efforts towards value creating innovation

WINNER:

Minex Metallurgical Company Ltd, Mumbai

CSR & Sustainable Development

WHAT IT MEANS: Ensuring positive contribution to society and environment

WINNER:

Tulasi Seeds Pvt Ltd, Guntur

Best Emerging Company

WHAT IT MEANS: Sustained growth, excellent health parameters and a promising future. Must have established corporate governance practices

WINNER:

Akums Drugs & Pharmaceuticals Ltd, New Delhi

BT-YES Bank Emerging Companies Excellence Awards

Bursting with Health

Akums Drugs & Pharmaceuticals has emerged as one of the country's largest contract drug manufacturers in less than a decade.

By MANU KAUSHIK

About three years ago, Mankind Pharma approached a vendor to develop an antacid. The drug maker wanted a product that could compete with market leader Eno, a unique fizzy product sold in powder form by GlaxoSmithKline Consumer Healthcare. The vendor worked on the concept and came up with Gas-O-Fast, which Mankind Pharma launched in 2011. Soon thereafter, Glaxo approached the same vendor, Akums Drugs & Pharmaceuticals, to make Eno. "Maybe they were impressed with us or wanted all our capacities to be used for Eno to snuff out Gas-O-Fast, we do not know," says Akums co-founder D.C. Jain. Subsequently, Akums also started making Eno in liquid and tablet forms, a category which comprises more than half the market for antacids.

Eno and Gas-O-Fast are among 15,000 products Akums makes for more than 200 clients that also include drug giants such as Abbott Labs, Cipla, Novartis, Merck and Ranbaxy. In fact, Akums has emerged as one of India's largest contract drug makers in less than a decade.

Akums's journey dates back to 1984, when Jain and his sons – Sanjeev and Sandeep – started a pharmaceutical trading business from a 55 sq. ft. shop in Delhi. The brothers were young, aged 18 and 16 at the time, but wanted to do something big. They would go to college in the morning and work at the shop thereafter. In the next 10 years, their business flourished and the Jains ventured out by setting up a drug factory at Bhiwadi in Rajasthan.

By then, Jain had quit his job – he was company secretary at Dalmia Cement – and helped his sons in expanding the business. They began with their own brand of products but later got into contract manufacturing.

The turning point came in 2003, when the central government made Uttarakhand, Himachal Pradesh, and Jammu & Kashmir excise-free zones to boost industrial activity. The Jains recognised the opportunity. They set up Akums in December 2004 and started a plant at Haridwar in Uttarakhand. Later, they sold the Bhiwadi factory as it became financially unviable.

There has been no looking back since then. With an initial investment of ₹4 crore – ₹1 crore from the founders' pocket and the rest as debt – Akums has been profitable from its first year of operations. It runs six plants now in

WINNING CATEGORIES:
Overall winner, Corporate Governance

Revenue has grown 60 times since its first year of operations (2004/05)

REVENUE (2012/13):
₹1,025.86 crore

NET PROFIT (2012/13):
₹125 crore

Note: The awards are based on performance over three years ended 2011/12

VIVAN MEHRA/www.indiatodayimages.com

AKUMS DRUGS & PHARMACEUTICALS

The winning hand: Akums Co-founders Sandeep (left) and Sanjeev Jain

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Uttarakhand, making medicines, injectables, eye drops, nutraceuticals and Ayurvedic products. Its gross turnover has surged at a compound annual growth rate of 67 per cent in the past eight years – to ₹1,025.9 crore in 2012/13 from ₹17 crore in 2004/05.

Younger sibling Sandeep says their expertise lies in innovation. "Akums is not a contract manufacturer. We certainly do more than that," he says. Akums, which employs about 5,000 people, has a team of 350 people in research and development that comes out with new products and improvements in existing ones, he adds. He also says that Akums has 59 patent applications related to processes and formulations pending with authorities.

Growth aside, Akums has also emerged winner in the category of corporate governance. Jain senior says that the company has formed an audit committee and remuneration panel consisting of directors other than the founders. "The law does not mandate us to form an audit committee, but we still have one. The company takes its transparency and disclosure norms seriously because we are dealing with large MNCs who have strong emphasis on corporate governance and quality control," he says.

Customers vouch by Akums's claims. Jayesh Shah, Chief Financial Officer of Ahmedabad-based Intas Pharmaceuticals, says his company has been associated with Akums since the latter's inception. Shah says that, among the 80 vendors Intas works with, Akums has the best service levels and product quality. "We often face issues with other suppliers in terms of product availability or products failing quality tests. Akums's commitment level has been satisfactory," he says. Vinayak Hiremath, Deputy General Manager (outsourcing and marketing), Lupin, says Akums is its biggest supplier, accounting for roughly 35 per cent drugs it sources. "Akums's prices are extremely competitive," he says.

A big reason why Akums has managed to keep prices competitive is that it enjoys excise duty exemption at its factories. But next year, the benefits for Akums's first plant – set up in 2004 – will end, as the tax exemptions last for 10 years. The first unit contributes 61 per cent to its revenue. To make up for this, Akums has acquired two units in Uttarakhand that are exempt from excise duty payments until 2020. The combined size of these two units is bigger than the first factory. "As the benefits lapse, we have plans to shift some machinery to the newly acquired units," says senior Jain.

From 2015, the first unit will be used for exports. This factory will also be used to make drugs under price control and for some multinational clients who prefer not to shift production of their drugs to a new location. In addition, Akums has acquired more land around its existing factories for expansion. The company has also recently ventured into export markets and has ambitious plans to boost its revenue. By 2020, it aims to triple its revenue to ₹3,000 crore with a third coming from overseas sales.

Analysts are cautious, though. "Contract manufacturing is a capital-intensive business. To achieve higher revenue, the company will have to invest heavily in building capacity," says an analyst with a foreign brokerage. The analyst says that many companies have invested in contract research and manufacturing services segment in the past few years. "Such companies have not been able to fully utilise their capacities due to a demand slowdown. Their balance sheets are loaded with debt, which is affecting their growth." Akums has zero long-term debt on its books. Its working capital debt stands at ₹40 crore.

Meeting its targets may seem like a tall order but the Jains have a magic pill for what it takes to succeed. Akums says it will not need much investment to reach that revenue target. "Our current capacity utilisation is a low 42 per cent," says senior Jain. "We have invested keeping in mind the future demand from existing clients and exports market." ◆

TRIUMPHANT JOURNEY

- **1984:** D.C. Jain and his sons start a pharmaceutical trading company in Delhi
- **1994:** The Jains set up a manufacturing unit in Bhiwadi, Rajasthan
- **2004:** Akums Drugs starts with first plant in Haridwar, Uttarakhand
- **2010:** Akums ventures into markets such as Vietnam, Uganda, Kenya, Cuba, and Ukraine
- **2013:** Akums crosses annual group revenue of ₹1,000 crore

With an initial investment of ₹4 crore, the company has been profitable from its first year of operations. It aims to triple its revenue to ₹3,000 crore by 2020 with a third coming from overseas sales

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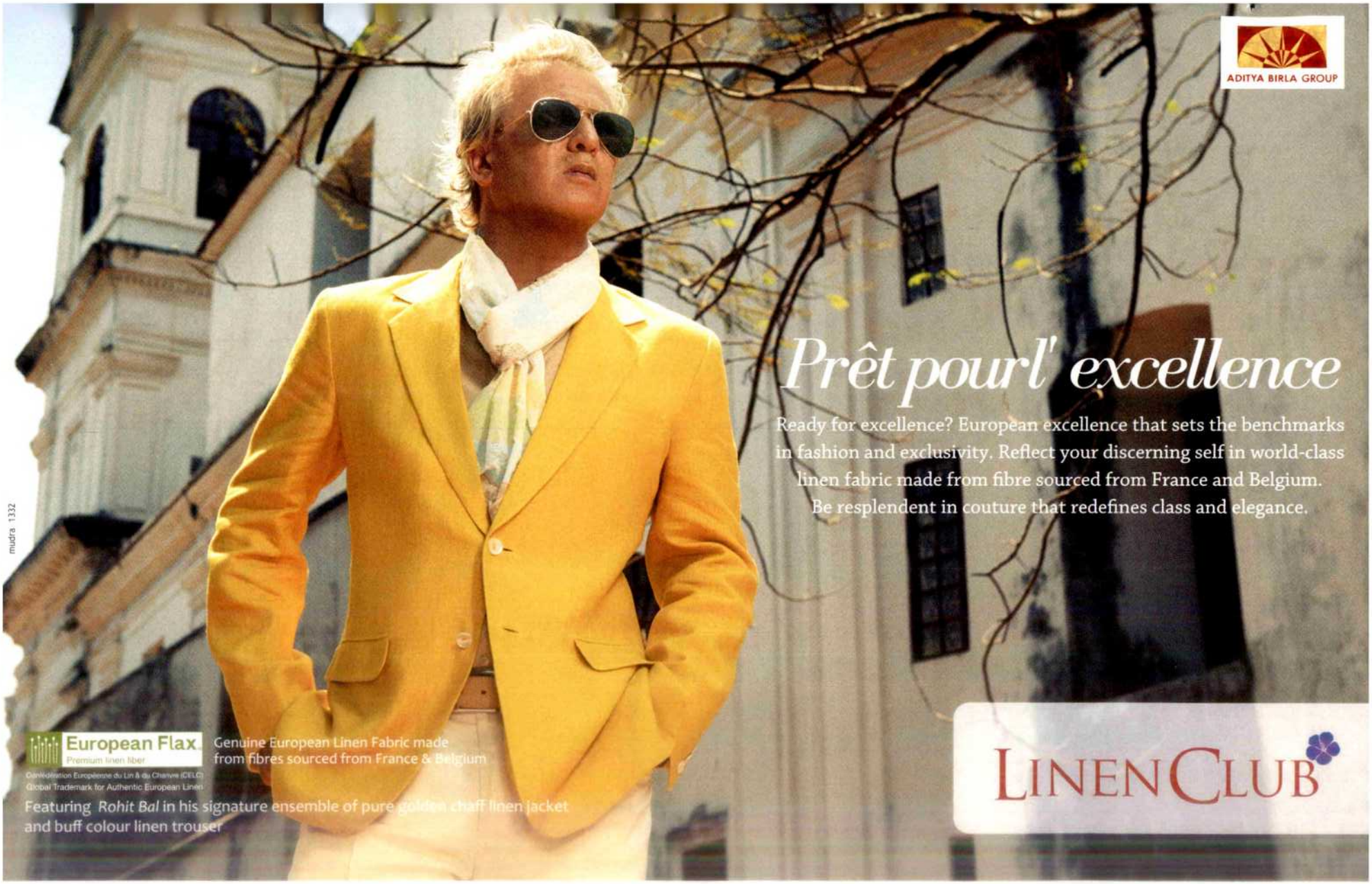
Order in chaos: Amit Bakshi, Founder, Eris Lifesciences

Prescribed for Life

Eris Lifesciences has scaled rapidly since starting in 2007 with revenue growing 48 times from the first year.

By MAHESH NAYAK

When Amit Bakshi quit his job at Ahmedabad-based Intas Pharmaceuticals following differences of opinion with its management, he knew exactly what he wanted to do – set up his own company. With three of his colleagues at Intas who left with him and a few others, he started Eris Lifesciences in 2007. (Eris is the Greek goddess of discord). "I



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ERIS LIFESCIENCES

WINNING CATEGORIES:
Scalability of Business Model, Managing Operational Efficiencies

REVENUE (2012/13):	***NET PROFIT (2012/13):***
₹430 crore	***₹78 crore***

don't understand why entrepreneurs in India shy away from aggressive growth," says the 39-year-old. "I knew the potential in the industry and so left the company to venture on my own."

Bakshi received initial funding of ₹1.50 crore from a pharmaceutical stockist for Eris, also based in Ahmedabad. He started by selling specialty drugs in segments he knew well – cardiology and diabetology – from his experience in the industry where he had been working since 1996.

Bakshi did not have a manufacturing facility to begin with. So he outsourced a batch of three lakh tablets and capsules to a manufacturer in Delhi initially. He realised soon that establishing his foothold in an industry filled with scores of generic drug makers was not an easy task. "You may not have an entry barrier [in the pharmaceutical industry], but there is huge competition," he says. What is his success mantra? Success, he says, hinges on a company's ability to penetrate the market and create loyalty among customers. For a drug maker, the most important factor is its reach at the level of chemists, he adds.

In the first year of operations Eris recorded revenue of ₹9 crore and a loss of ₹2.5 crore. The company has expanded rapidly since then. In 2010, Bakshi made his first acquisition. He bought a factory from Sozin Flora for ₹20 crore. The factory, in Himachal Pradesh, had about 40 people and a capacity to make two crore tablets and capsules a month. Eris has ramped up the factory's workforce to 250 people and doubled its manufacturing capacity. Despite the expansion, Eris still has to outsource about a third of its production.

For 2012/13, the company ended with a profit of ₹78 crore on revenue of ₹430 crore. It has a total of 1,530 employees now. Its profit margin is about 17 to 18 per cent. Revenue is growing by ₹150 crore to ₹170 crore every year, says Bakshi. The aim is to increase it by ₹200 crore to ₹250 crore, he adds. The robust growth has attracted investors. In 2011, private-equity player ChrysCapital invested $50 million in Eris for a minority stake.

Over the past few years the company has expanded into new verticals such as gastroenterology, orthopedics, gynecology and pediatrics. "Eris is a small player but has caught the pulse by focusing on super-specialty drugs," says an analyst with a Mumbai-based brokerage who does not want to be named. "It is taking risks by getting into other streams of medicine."

Next year, Eris's second factory will come up, in the northeastern city of Guwahati, which would double its production capacity to eight crore tablets and capsules. Despite rapid growth, Eris still has a share of just 0.78 per cent in India's pharmaceutical market. Bakshi says his focus is entirely on organic growth. He is aware the company does not cater to the entire health-care market. He wants to begin selling conventional medicines like ayurvedic products as well as medical devices.

Medical devices is a growing segment. A decade ago, for instance, very few patients would own a device to test sugar levels. But now most diabetics have such devices at home. "The medical-devices business can pay off huge dividends in the future," says the Mumbai-based analyst.

Bakshi is aware of the challenges ahead. "This is an industry where bigger players become even bigger. The control is in the hands of the top 50 players," he says. "To compete with them you have to be a holistic player looking at complete patient care. There are gaps and we need to fill those gaps." ◆

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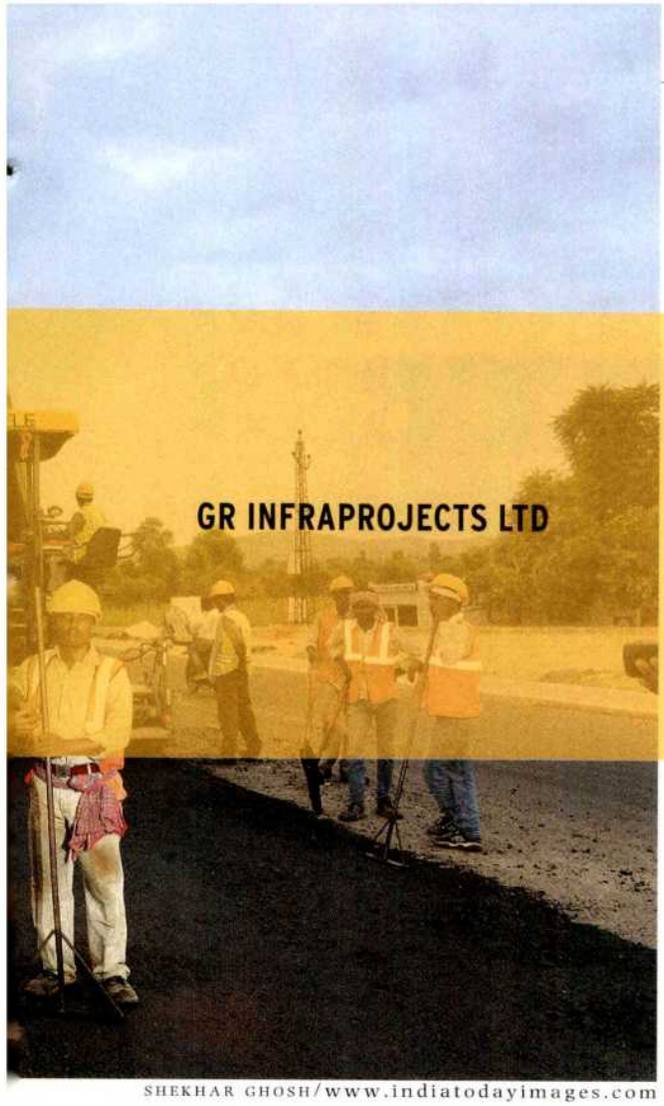
Standing tall: Vinod Agarwal, Managing Director, GR Infraprojects

One for the Road

Timely project delivery and payment collection from clients have helped GR Infraprojects keep debt low and cash flow healthy.

By MANU KAUSHIK

In a sector where delays are common, Udaipur-based road developer GR Infraprojects has built a reputation of completing its projects well before deadlines. Founded in 1965, the company executed small projects of the public works department in Rajasthan until 2007. That year, GR Infra got a contract from Ashoka Buildcon, which had completed barely a quarter of a project it had been working on for two



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WINNING CATEGORY: Capital Management

The company's average interest cost is one per cent of revenue

REVENUE (2012/13): ₹861.9 crore

NET PROFIT (2012/13): ₹53.9 crore

years in Barmer district. It roped in GR Infra to finish half of the work (69.5 km). "We finished our work in 10 months flat," says Vinod Agarwal, GR Infra's Managing Director. "The project taught us the benefits of finishing work quickly. Today, our strength lies in delivering projects ahead of schedule."

In September 2012, the company completed the 73.5-km Hazaribagh-to-Ranchi project six months before the deadline. In February, it finished work on a 47-km Shillong bypass project 12 months before the due date. Another project in Rajasthan is set for completion in December, about eight months before schedule. So far, GR Infra has executed 155 projects totaling 3,200 lane km in Rajasthan, Haryana, Uttar Pradesh, Bihar and Jharkhand. Project delivery, however, is not the company's only focus area. Bulk of its revenue comes from engineering, procurement and construction (EPC) contracts which it gets from large concessionaires such as IL&FS Transportation Networks and highways authorities.

Agarwal, the second son of GR Infra's founder Gumani Ram Agarwal, says the company lays huge emphasis on timely collection of payments from clients. "Late payments result in a rise in overall project costs and lower margins," he says. The average payment cycle for EPC contracts is one month for GR Infra compared with three to four months for other companies. This has helped it keep its cash flow healthy and interest costs low. Agarwal says his average interest cost is one per cent of revenue, much lower than industry standards of four to five per cent. GR Infra has also managed to keep its debt under control – the consolidated debt-to-equity ratio is 0.95 to 1.

Its strong balance sheet has attracted several investors. The company got ₹80 crore funding from Motilal Oswal Private Equity Advisors and IDFC Investment Advisors for a 15 per cent stake in 2011. Japan Vyas, Director at IDFC Investment Advisors, says the investment was based on the company's credibility, execution track record and healthy financials. "They have completed projects well within time and costs," he says.

The company's revenue grew at a compounded annual pace of 64 per cent between 2008/09 and 2011/12. But a slowdown in the infrastructure sector and a falling rupee, which makes its machinery and bitumen imports costlier, has hurt the company. As a result, its revenue dropped more than 12 per cent to ₹862 crore in 2012/13.

IDFC's Vyas says the issues affecting the infrastructure sector are also troubling GR Infra. "We expect the company to take away market share from others in the event of a sectoral revival because its books are fairly solid." Parvesh Minocha, Group Managing Director (transportation division) at consultancy Feedback Infra, agrees. The infrastructure sector will continue to shrink until the economy grows at a pace of seven per cent, he says. "But when the sector upturns, the company will be quick to bounce back." ◆

BT-YES Bank Emerging Companies Excellence Awards

Path to Success

Dr Lal PathLabs has emerged as one of the country's biggest chains of diagnostics centres in recent years.

By DEARTON THOMAS HECTOR

It might appear a little odd to describe as "emerging" a company that was set up shortly after India achieved independence. But Dr Lal PathLabs definitely fits the bill. Why? It is only in the past decade that the company embarked on a major expansion drive and emerged as one of the country's largest chains of diagnostic centres.

Dr Lal PathLabs was founded by the late Dr (Major) S.K. Lal in 1949 with six employees. Standalone pathology labs were not commonplace at the time. Since then the diagnostics services market in India has undergone a sea change. Today, the company has a network of 150 labs and 2,000 collection centres across the country that cater to about one crore customers every year. The company – now headed by Chairman and Managing Director Arvind Lal, the founder's son – also has 10 collection centres outside India. These centres in Oman, United Arab Emirates, Saudi Arabia, Nepal, Bangladesh, Sri Lanka and Malaysia ship samples to India for testing.

The company is adding 15 to 20 labs and 200 to 300 collection centres a year, says CEO Om Manchanda, who joined the diagnostics chain in 2005. The expansion will help increase the number of customers by 20 to 25 per cent every year, he adds.

That will likely boost its bottom line, say analysts. "Once protocols and processes are in place, it is about increasing volumes to increase profitability," says Charu Sehgal, Senior Director at consulting and auditing firm Deloitte Touche Tohmatsu India.

Manchanda also says the company has established standard operating procedures for labs, collection centres and sales operations. Each lab and collection centre is linked with a central server on a real-time basis. This helps the company manage the entire network in an integrated manner, he says.

WINNING CATEGORY: ***Employment generation***	***The company has 150 labs and 2,000 collection centres in India***
REVENUE (2012/13): **₹452 crore**	**NO. OF EMPLOYEES: (2012/13):** **3,500**

The company's revenue has more than tripled in the past five years, to ₹452 crore in 2012/13 from ₹128 crore in 2008/09. During the same period, the number of employees has nearly doubled to more than 3,500. Growth was helped by investment received from venture capital and private equity firms WestBridge Advisors and TA Associates India.

WestBridge invested almost ₹40 crore in Dr Lal PathLabs in 2005 for a stake of about 33 per cent. TA Associates invested more than ₹150 crore in the chain in two stages, first in September 2010 and then in January this year. "It was a single brand and people recognised it. Their growth was organic. That's why we invested in it," says Sandeep Singhal, co-founder and Managing Director of WestBridge. "We have been happy investors. The valuation [of our stake] has gone up by 20 times since we invested in the company."

VIVAN MEHRA/www.indiatodayimages.com

Tried and tested: Arvind Lal, Chairman and Managing Director, Dr Lal PathLabs

Naveen Wadhera, Director and Country Head of TA Associates India, says the business model of Dr Lal PathLabs is asset-light and highly profitable. The company has consistently improved its profit margins over the past few years, he adds.

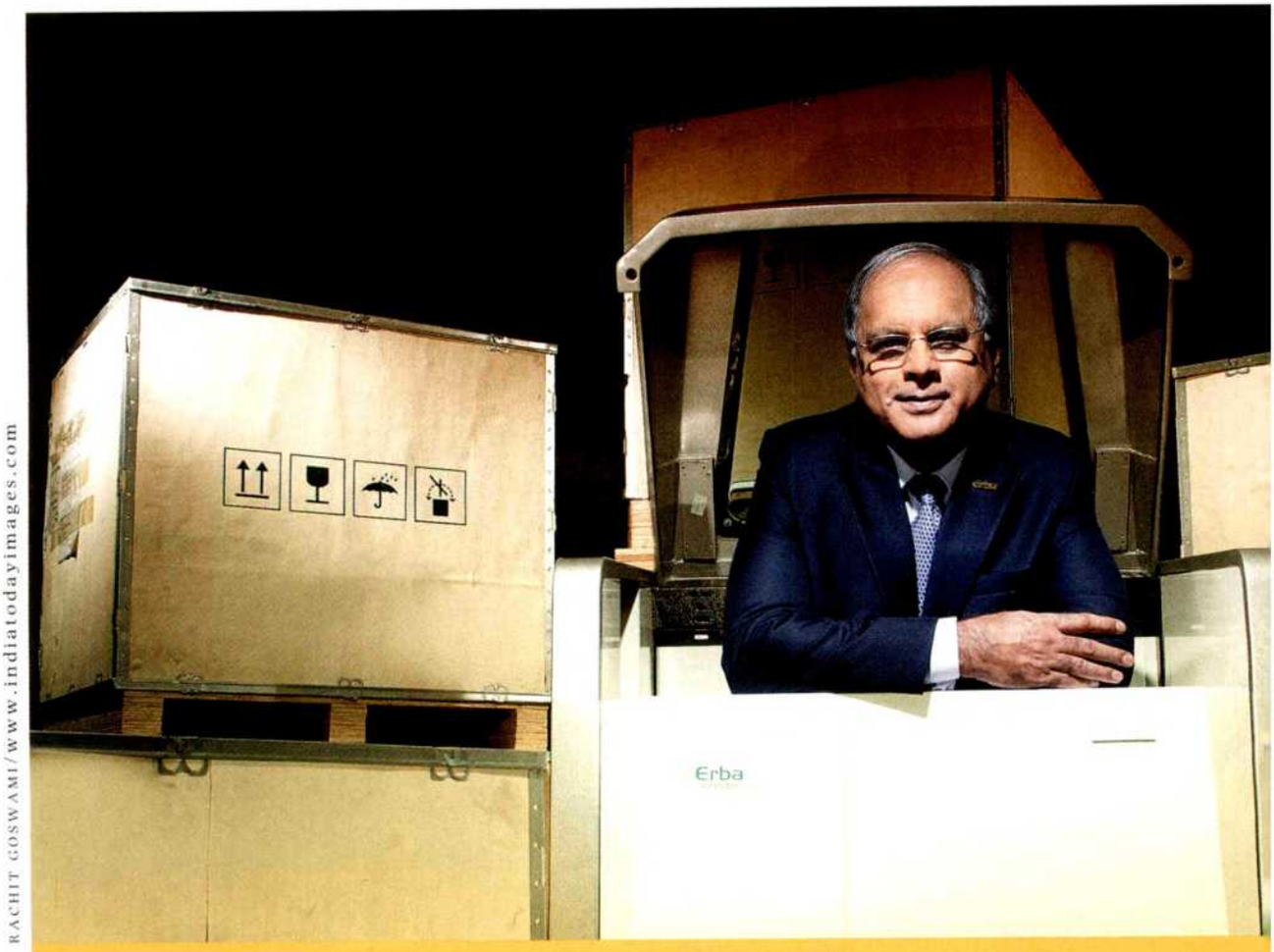
Wadhera is bullish on the $1.8 billion Indian diagnostics market, which he expects to grow more than 20 per cent annually for the next several years. But the market is highly fragmented and unorganised. Dr Lal PathLabs is facing competition also from large diagnostic chains such as Metropolis India and SRL Diagnostics. Amit Mookim, Partner and National Industry Head for Healthcare at KPMG in India, says that diagnostics has expanded beyond hospitals and fragmented laboratories and that the organised players have created a niche in the market. "The trend is towards the industry getting organised," adds Manchanda. "I foresee that both standalone labs as well as branded chains will co-exist." ◆

BT-YES Bank Emerging Companies Excellence Awards

Testing New Territories

Set up in 1979, Transasia Bio-Medicals now exports diagnostics equipment to more than 90 countries.

By ARPITA MUKHERJEE



RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

The globetrotter: Suresh Vazirani founded Transasia Bio-Medicals with an initial capital of ₹250

Usually, when entrepreneurs get funding for a new venture they invest in their business. They set up their offices, hire people, and build products or services they want to sell. But Suresh Vazirani, who founded Transasia Bio-Medicals in 1979 with an initial capital of ₹250, did something unusual. He spent the ₹1 lakh he had got from an acquaintance for his nascent health-care business to go on a six-month-long world tour instead.

It wasn't a leisure trip, though. Vazirani, an electrical engineer, visited multinational companies to get trained in handling diagnostics equipment. He came back with a contract to distribute a Japanese company's equipment in India. "I did not have money to buy the products," he recalls. "So I would help (hospitals and doctors) import equipment and provide them technical support."

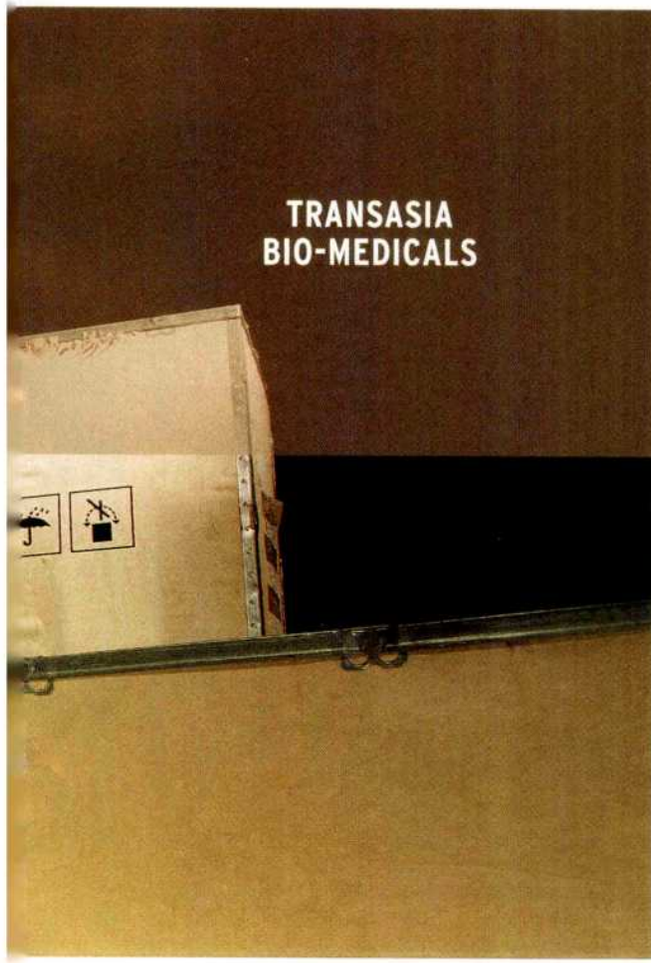
Today, Transasia is one of India's largest makers of diagnostics equipment and exports to about 90 countries. Its revenue has grown 20 to 25 per cent annually for 20 years. It reported total revenue of ₹697 crore in 2012/13, with overseas sales accounting for about 45 per cent.

Vazirani was born into a Sindhi family that migrated to Jaripatka, near Nagpur, after partition. Soon after completing his studies, he got involved with Moral Re-Armament, a non-government organisation whose Indian arm was led by Rajmohan Gandhi, Mahatma Gandhi's grandson. His association with Gandhi and an incident in 1977 when he helped fix a medical device in Mumbai's Jaslok Hospital where activist Jayaprakash Narayan was being treated for kidney ailments, pointed him to the direction in which he continues even today.

Transasia, culled out from 'Transform Asia', aims to improve the diagnosis of diseases in countries that need it the most – the emerging economies – and bring affordable solutions to people who need them the most. "Any company that has done good for itself in India should look at emerging markets," says Frost & Sullivan health-care analyst Jayant Singh.

Vazirani started looking westwards a few years ago to expand business. Transasia has set up a unit in Germany, ERBA Mannheim GmbH Group. Through this unit, the company has made 10 acquisitions in countries including the Czech Republic, Russia, Germany, France and the United States in the past five years. Vazirani has now set his eyes on Latin America, where TransAsia operates only through distributors. Transasia, he says, is likely to spend about ₹200 crore over the next year to set up a unit in Mexico and make an acquisition in Brazil.

The company will continue to focus on emerging economies. "About 70 per cent of the population in emerging markets still does not have access to early diagnostics," says Vazirani. "It's a huge opportunity and a huge challenge." ◆



WINNING CATEGORY:
Global Business Excellence*

The company has made 10 overseas acquisitions in the past five years

TOTAL REVENUE (2012/13):
₹697 crore

OVERSEAS SALES (2012/13):
₹312 crore

*This category has two winners

BT-YES Bank Emerging Companies Excellence Awards

Man of steel: Arvind Sanghvi, Founder and Managing Director, Raajratna Metal Industries

Wired to Win

Raajratna Metal earns three-fourths of its revenue by exporting stainless steel wires and bars to 60 countries.

By MAHESH NAYAK

Arvind Sanghvi, founder and MD of Raajratna Metal Industries, travels 15 days in a month across the globe to explore business opportunities. This is not surprising, given that the maker of stainless steel wires and bars earns nearly three-fourths of its revenue from exports to 60 countries. "We are always in search for newer markets," says Sanghvi. "If I come to know there is a market on the moon I will even travel to the moon."

SHAILESH RAVAL/www.indiatodayimages.com

WINNING CATEGORY: ***Global Business Excellence****

The company has offices in the US, the UK, Italy and Thailand

REVENUE (2012/13): ***₹612 crore***

NET PROFIT (2012/13): ***₹33 crore***

*This category has two winners

Sanghvi understands the stainless steel business like the back of his hand. This is his second stint dabbling in stainless steel. Before he separated from his cousins 25 years ago, Sanghvi was making stainless steel pipes for the domestic and export markets. He set up Raajratna, based in Ahmedabad, in 1990 with a sum of ₹1.25 crore and 40 employees to make stainless steel wires. The company now has about 1,000 employees. "It was a conscious effort not to get into the same business as my cousins because we wanted to avoid conflicts," he says. Within two years of starting operations Raajratna began exporting across the world to companies in oil and gas, textile, automobile and power sectors.

Raajratna depends on higher sales volume to maintain profitability, as it operates on wafer-thin margins of one to six per cent. Though the company exports 70-75 per cent of its production, it imports almost half of its raw material. So, a weak rupee does not help much to boost profitability. Excess steel supply in the market during 2011/12 also weighed on the company. It posted a 76 per cent drop in net profit to ₹5.64 crore in 2011/12 while revenue rose 14 per cent to ₹595 crore. But it rebounded in 2012/13, with profit surging to ₹33 crore on revenue of ₹612 crore. The company is also cash surplus and its long-term loan is no more than ₹7 crore, says Sanghvi. Despite the economic slowdown, banks are offering loans at nine per cent to the company, he adds.

Sanghvi says the company is planning to make value-added products to improve margins and boost growth. It is also looking to set up a factory in an Asian country. It already has marketing offices and warehouses in the US, the UK, Italy and Thailand. Sanghvi adds that Raajratna will grow organically and has no plans to make any acquisitions.

To avoid the mistakes of the past, Sanghvi has taken care of succession issues at the family-run business that has diversified over the years into electrodes, fasteners and solar power. The second generation of the family has been given responsibility of different businesses. One of his three sons works with him at Raajratna while his other sons and his nephews are involved in other businesses. But Sanghvi is not ready to hang his boots anytime soon. After all, he still has dozens of countries to explore. ◆

BT-YES Bank Emerging Companies Excellence Awards

Unalloyed Quality

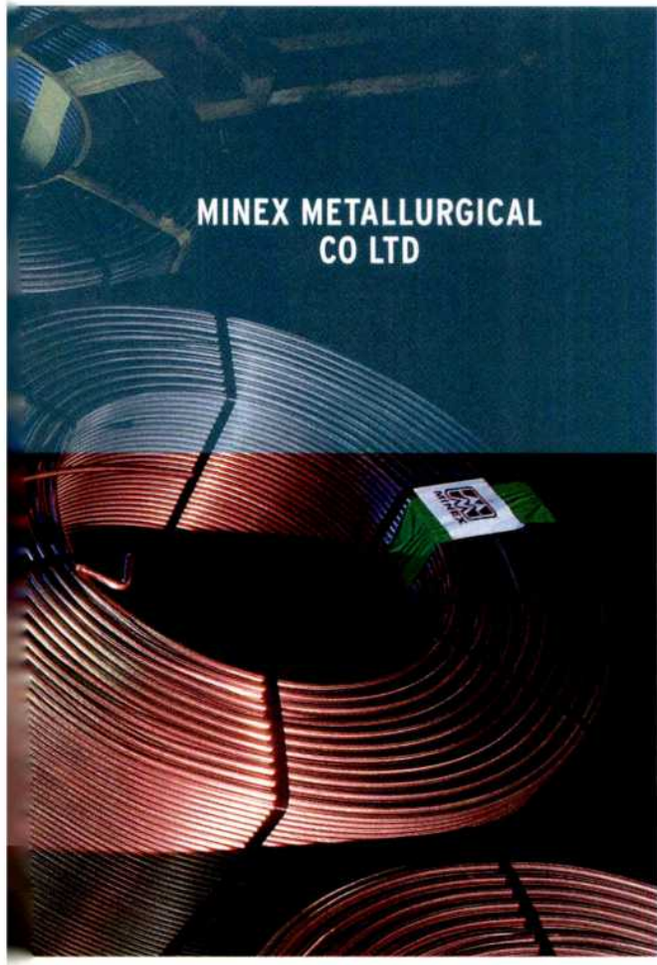
Mumbai-based Minex Metallurgical believes in constant innovation to develop top-notch alloying solutions.

By ARPITA MUKHERJEE

Showing his mettle: Sukhendu Bikas Misra, Founder and MD, Minex Metallurgical

Innovation comes not from doing something once but from doing it over and over again, believes Sukhendu Bikas Misra, Founder and Managing Director of Minex Metallurgical Co Ltd. The company, founded in 1981, provides metallurgical alloying solutions to clients across the world and prides itself on developing cutting edge technology. A focus on innovation was initially a necessity to differentiate itself in a competitive market but has now become a part of its DNA, asserts Misra.

Misra aimed to start a foundry from the days he was studying at Regional Engineering College, Rourkela, where he specialised in metallurgical engineering. He initially worked for companies such as Advani Oerlikon Ltd and SICOM Ltd. These stints paved the way for him to launch his own company. At Advani Oerlikon, now Ador Welding Ltd, he learnt the process of manufacturing ferro alloys, while at SICOM, a leading financial institution, he learnt the basics of project financing. SICOM later provided him with a part of the seed capital of ₹33 lakh he needed to set up Minex. The company established its first plant in Nagpur, largely because SICOM provided incentives to companies coming up in and around that town.



WINNING CATEGORY:
Most Innovative Company

Has acquired three patents in the last four years

REVENUE (2012/13):
₹460 crore

NET PROFIT (2012/13):
₹16.66 crore

"The driving factor for Minex was producing alloys which are not produced in the country," says Misra. "We don't make too many quantum jumps, but focus on developing the products we have." One of Minex's important projects is with the Indira Gandhi Centre for Atomic Research (IGCAR). Minex has been developing a shielding material for nuclear reactors along with IGCAR over the past five years.

Today, Minex operates in three industries – foundry, steel and aluminium. Misra has steadily scaled up operations and believes in keeping commitments to his clients at any cost.

Minex's profit after tax has grown more than 60 per cent to ₹16.66 crore over the past five years, while sales have doubled to ₹460 crore in the same period. Misra expects annual revenue growth of 18 to 20 per cent and profit growth of 15 to 18 per cent over the next five years. Minex spends about five per cent of its profit on research and development.

Along the way, Misra has understood the value of intellectual property after his products were copied by rivals. Minex has now acquired three patents in the last four years. "We started doing this just over the last four or five years in our history of 30 years. Had we gone in for patenting from the beginning, we would have had 100 patents by now," says Misra. The company now intends to apply for at least one or two patents every year from now on. He is also on the lookout for partnerships that will help him innovate and bring in new products faster. ◆

NISHIKANT GAMRE/www.indiatodayimages.com

BT-YES Bank Emerging Companies Excellence Awards

Seeding the Future

Tulasi Seeds believes in giving back to society and funds the education of the needy.

By N. MADHAVAN

The letter shocked Tulasi Ramachandra Prabhu. It was 1970 and the 23-year-old had just completed his B. Tech from IIT Madras. He had practically been selected by Bharat Heavy Electricals Ltd, and expected to join its Trichy office. He had completed the medical tests – a mere formality, he thought – and was awaiting a final okay.

"As you are suffering from Red-Green eye defect you are not eligible for a technical post and hence do not qualify for a job at BHEL," the letter stated. It was only thus that Prabhu learnt he was colour blind – he could not distinguish between red and green.

Ironically, it is on account of his colour blindness that, forced to turn entrepreneur, he has been able to add colour to the lives of 1,200 people – his employees – as well as 6,500 students whose college and university education he has been funding every year for more than a decade now.

But entrepreneurial spirit, kindled by the BHEL rejection, was not enough. Funds too were needed. Hailing from a lower middle class agricultural family – Prabhu studied on scholarships – these were hard to come by. Finally, in 1977, taking advantage of the Andhra Pradesh government's favourable policies, he managed to start a small scale unit, manufacturing corrugated card boxes. He never looked back. The unit began making profits from the first month. Prabhu expanded the capacity by four times in 1984.

By 1991, Prabhu owned a well-irrigated, 10-acre farm as well. That year he got another shock – the farm's cotton yield dropped dramatically to just three quintals per acre from 18 quintals earlier. He realised this was due to poor quality and spurious seeds, and the following year ventured into the seeds business. "I saw an opportunity. India, a predominantly agricultural country, desperately needs quality seeds," he says.

WINNING CATEGORY: CSR & Sustainable Development	**Educates over** 6,500 students every year
REVENUE (2012/13): ₹230 crore	**NET PROFIT (2012/13):** ₹28 crore

Tulasi Seeds began by procuring a hybrid from the Cotton Research Station in Coimbatore. But it soon dawned on Prabhu that the business could not survive on borrowed hybrids and he would have to invest in research to develop his own hybrids. He employed 10 scientists, set up greenhouses and laboratories. "It took us seven years to get our first perfect hybrid. We called it Sri Tulasi," he says. The company's fortunes have improved ever since. In 2001, when BT cotton seeds became popular in India, Tulasi Seeds tied up with Monsanto for the technology and induced the BT strain in its already popular hybrids.

Today, Tulasi Seeds, based in Guntur, Andhra Pradesh, has become the flagship company of the ₹400 crore Tulasi group. In 2012/13 Tulasi Seeds's revenues stood at ₹230 crore and net profit at ₹28 crore. It has become the fourth largest player in the BT cotton seed

H.K. RAJASHEKAR/www.indiatodayimages.com

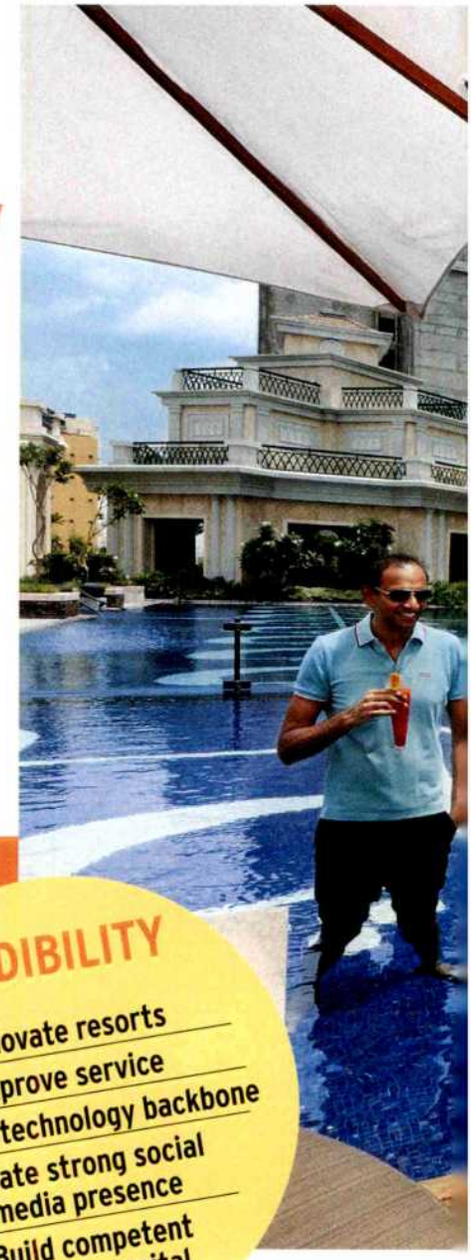
Reaching out: Tulasi Ramachandra Prabhu, Chairman, Tulasi Seeds

market, which is estimated at 38 million packets (of 450 grams each). Tulasi, which is present in all the 10 major cotton growing states, has a market share of about seven per cent. Its focus on R&D has paid off well – it boasts a bank of over 450 cotton varieties having released 13 different hybrids into the market so far. "We are in a very competitive market with 28 companies possessing BT technology. We stay ahead with our R&D focus," says Prabhu.

He began giving back to society as soon as he saw regular profits. Today about 10 per cent of the group's profits (predominantly from Tulasi Seeds), or around ₹4 crore, is spent on funding the education of needy, bright students through a trust he has floated. "Every successful Indian must realise he has succeeded because of the contribution of society in ways both known and unknown. I hate to call this charity. It is payback." ◆

Holiday Season Again

Timeshare pioneer Sterling Holiday Resorts is staging a comeback after 16 years in the wilderness. BY N. MADHAVAN



THE 3Cs
The company's focus on these pulled it back from the brink

CREDIBILITY
- Renovate resorts
- Improve service
- Upgrade technology backbone
- Create strong social media presence
- Build competent human capital

Pankaj Gupta loved his annual vacation. The Bangalore-based businessman's favourite destination was the Nilgiri hills on the Karnataka-Tamil Nadu border. In 1996, when he heard of the concept of timeshare vacations, pioneered in India by Sterling Holiday Resorts Ltd, he bought into it. He paid close to ₹1 lakh, which allowed him a week each year in any of Sterling's 11 resorts in the country, for the next 25 years. For him, the added attraction was that Sterling had two resorts in Ooty – Fern Hill and Elk Hill. But his first timeshare holiday in the summer of 1997 was a nightmare. One look at the rooms in both resorts, and his family refused to stay there. From then on, he avoided using his timeshare. Like Gupta, some 86,000 members lost faith in the company. Sixteen years on, Sterling is fighting hard to regain it.

Started in 1987 by R. Subramanian, Sterling enjoyed smooth sailing in its early years. By March 1996, it was selling 4,500 timeshare accounts a month through its 60 sales offices nationwide. It had 12 resorts – with a total of 1,100 rooms – and occupancy was a healthy 65 per cent. Using surplus cash, the company built up a land bank of 175 acres in top tourist destinations.

"Vacation timeshare is a cash flow positive business model, where members pay up-front for holidays for 25 years," says Ramesh Ramanathan, who was vice-president of marketing and sales during his first stint in the company, from 1991 to 1996. He rejoined the company as Managing Director in 2011. "In 1996, we were generating a cash flow of ₹500 crore a year through timeshare sales."

Healthy cash flows tend to feed outsized ambitions, and Sterling, too, fell prey to that temptation.

Taking a breather: Sterling's Chairman Siddharth Mehta (in lounger) with Vice Chairman Sidharth Subramanian (far left) and MD Ramesh Ramanathan

H.K. RAJASHEKAR/www.indiatodayimages.com

CASH FLOW

- Increase new member additions
- Raise non-member revenues
- Improve resort revenues
- Improve collection cycle
- Reduce expenses

It embarked on a ₹500 crore five-star resort project with two 16-hole golf courses in Noida, near Delhi. It leased 420 acres of land from the Greater Noida Development Authority in 1994/95 for ₹100 crore. Famous golfer Greg Norman was appointed to develop it, for a fee of $2 million. The grass for the entire course was imported.

But in 1996, the market began to tank. India saw an explosion in the demand for white goods, triggered by the entry of multinational manufacturers. People chose white goods over future holidays. Competition also increased when the Mahindra Group entered the timeshare business with the launch of Club Mahindra. "In just 18 months, our timeshare sales dropped from 4,500 per month to just

CUSTOMER CONFIDENCE

- Proactive customer engagement
- Deploy customer relationship management technology
- Enhance holiday experience

200," says R. Mohan, Sterling's Senior Vice President – Finance. His company's cash flow collapsed.

"From being cash-rich, we began to borrow to fund the Noida project and run our resorts. By March 2007, we had debt of ₹200 crore," he adds. Things got worse. The company cut its marketing spending and closed all sales offices except in Mumbai. This hurt sales further, and they plummeted to five a month. Resort maintenance began to suffer. Occupancy levels fell, and members stopped paying annual amenities charges and maintenance fees. The company began to default on payments to the Greater Noida Development Authority, banks, creditors and suppliers.

In 2000, the Greater Noida Development Authority cancelled the land allotment. Sterling lost everything it had invested in the project (one of the two golf courses was ready in 1999). Legal challenges started to mount. Irate members hauled the company to consumer courts, saying it had failed to develop resorts as promised. Sterling faced 70 cases under the Negotiable Instruments Act for cheque dishonour. Banks filed as many as 15 winding-up petitions. Some dragged the company to the Debt Recovery Tribunal. "We had to appear in court and at the police station every other day," says Mohan. He left Sterling in 2000 as he could not handle the pressure (he returned to the company in 2005). Its share price crashed to its lowest level of ₹1.55 in September 2001.

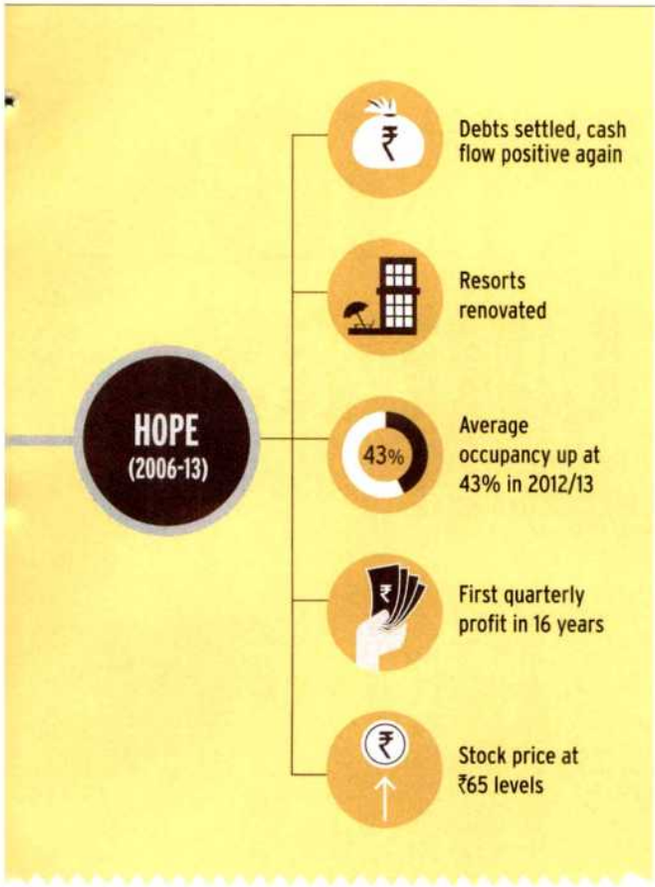
Founder R. Subramanian's attempts to sell assets, raise equity and reduce debts failed. He even let his company be run by Days Inn – an international hospitality chain – for two years. Nothing worked. In late 2006, he convinced his son Sidharth Subramanian, who ran an electronic medical records company in the US, to return to India and take charge of the company.

"We had 12 bankers, and large unpaid dues to each of them," says the junior Subramanian, who became vice chairman of the company. "We sold some assets, including our Goa resort and office property in Chennai. We used that money to pay off banks that had initiated winding-up petitions, and other creditors." Simultaneously, he started talking to private equity players. "We needed more funds to turn around the company, and private equity with a longer investment horizon was the best available option," he adds.

Siddharth Mehta, who runs Bay Capital Investment Ltd, took a 35 per cent stake in Sterling Holiday Resorts in 2009 and became its Chairman. "Sterling has an interesting portfolio of assets in great locales, and the domestic tourism sector is under-penetrated in India. I see an opportunity there," says Mehta.

The ₹50 crore he brought into the company was used to settle remaining debts. By 2010/11, Sterling was almost a zero-debt company, with most legal issues resolved and its focus shifted to operational turnaround.

Siddharth and Vice Chairman Subramanian reached



GRAPHICS BY SANTOSH

out to Ramanathan, who had launched Club Mahindra after leaving Sterling in 1996 and, as its CEO, made it the market leader. He had quit Club Mahindra earlier in 2011.

In 2011, Sterling had no marketing set-up, no banker, an outdated IT system, no digital presence, and 11% occupancy

What he saw on his return stumped him. "There was no sales organisation, no marketing set-up, no banker, an outdated IT system that ran on Sybase, occupancy levels of just 11 per cent, no presence in digital media and, most worryingly, an organisation that exhibited a total lack of energy," he says.

To infuse energy into the company, he drew up a mission statement seeking to make it the market leader again. He also devised a strategy (see *The 3Cs*) to rebuild credibility and customer confidence, and increase cash flow.

In October 2011, investors Rakesh Jhunjhunwala and Radhakrishnan Damani each took a seven per cent stake in the company. Ramanathan used the money to renovate resorts and re-establish credibility among members. "We spent ₹95 crore to renovate rooms and common areas," he says. Today, 466 of the 1,109 rooms the company owns are renovated. The rest will be completed in 2014/15.

Ramanathan began to take new resorts on lease in locations such as Goa, Thekkady in Kerala, Corbett National Park in Uttarakhand, Gangtok in Sikkim, Karwar in coastal Karnataka, and Dharamsala in Himachal Pradesh, even though the company's occupancy levels were low then, so that members could have better options. This added 541 rooms, taking the total room tally to 1,650, with 21 resorts in 19 destinations. A 50-seat call centre was started and a new information and communication technology backbone was implemented. "We wanted to ensure that from reservation to the experience at the resorts, customers were satisfied," he says. A strong social media strategy was drawn up, and human resources given top priority.

On the financial side, efforts were made to increase revenues by adding new members, focusing on non-member business by starting a hotel sales division, and offering a wide range of food and beverages options at resorts. Simultaneously, expenses were attacked.

The 3Cs strategy seems to have worked. Sterling Holidays made its first quarterly profit – ₹62 lakh – in 16 years during the first quarter of the current financial year. Arrivals have increased in renovated resorts, and overall room nights for the company have increased from 158,000 in 2010/11 to 201,000 in 2012/13. Average occupancy was up from 19 to 43 per cent in the same period. The company's online presence is growing, too – in 2012/13, its website got 1.47 million visitors, and its Facebook fan count crossed 200,000. In the same year, it added 3,409 new members (averaging 285 a month), up from 1,135 in 2010/11. The hotel sales division's revenues rose to ₹29 crore, from ₹8 crore in 2010/11.

Many old customers have started holidaying with Sterling again. The company is cash flow-positive, and losses have shrunk from ₹41.31 crore in 2011/12 to ₹20.2 crore in 2012/13. The company hopes to make a profit in the current year. The stock market has responded, and the company's stock trades at around ₹65 a share.

"The revival at Sterling is interesting," says Kaushik Vardharajan, Managing Director at HVS South Asia, a hotel consultancy company. "But they need to keep the member-to-room ratio at a level that will offer customers the flexibility to choose their holiday destination. To keep customer satisfaction levels high, Sterling needs to keep adding more resorts, and preferably lease them." As far as expansion is concerned, Sterling is sitting pretty, as its land bank – now 150 acres – gives it the potential to add 2,000 rooms at a low capital cost.

After 16 years, Gupta and his family returned to stay at the Fern Hill resort in Ooty this April. They were in for a pleasant surprise. "The rooms were great, and so was the service," he says. "We thoroughly enjoyed our stay. We are looking forward to our next holiday." That should be music to the ears of Sterling's management team. ◆

Send your comments to editor.bt@intoday.com

NURTURING THE NURTURERS

Business incubators have arisen to help entrepreneurs who target the bottom of the pyramid scale up. By TASLIMA KHAN

At the office of Children's Lovecastles Trust near Bangalore airport, a workshop is in progress. The trust, which works with about 350 government schools in Karnataka, helps make classroom education more interesting by supplementing it with digitised content. The discussion is about extending some of the trust's products such as 'e-pathshale' to more than 1,000 schools in relatively low-income states such as Madhya Pradesh and Nagaland. The brainstorming session is led by Parvathi Menon, 39, who runs Innovation Alchemy, an organisation that helps social businesses scale up. "I saw that a lot of people are excited about solving social problems and are doing fantastic work, but they don't expand beyond a cluster of villages," says Menon, who has a Master's in Development Communications.

ADITYA KAPOOR

"OPENING UP NETWORKS AND CONNECTIONS WITH STATE GOVERNMENT DEPARTMENTS IS A MUST TO OPEN UP FUNDS FOR THESE BUSINESSESS"
PARVATHI MENON
Managing Director,
Innovation Alchemy

Innovation Alchemy is one of many business incubators that have sprung up to help social start-ups understand the intricacies of business and scale up to attract investment. They cater to a growing breed of first-generation entrepreneurs who have spotted opportunity at the bottom of the pyramid. Social entrepreneurship has grown in India because of several factors, including a fall in poverty levels, which enables poor people to pay for products and services targeted at them. According to a Planning Commission report, the percentage of poor in the country fell to 22 per cent in 2011/12 from 29.8 per cent in 2009/10. "Innovation combined with enterprise is what makes a social enterprise. For innovation to make a difference, it has to be sustainable and profitable. Somebody should be making money. Only then will it attract large capital," says Paul Basil, founder and CEO of Chennai-based incubator Villgro.

Starting a social business is riskier than a traditional one because resources are more limited, business models are not in place, products are new to the market, and sales and distribution models are not developed. Business incubators help social entrepreneurs figure out the ropes and run a sustainable business. Their tenure of engagement is generally longer. While conventional incubators wind up support in three to four months, social incubators usually keep the relationship going one to three years.

Take Villgro. It pumps in up to ₹50 lakh as start-up capital in social businesses. It has helped companies such as Sustaintech, which makes small smokeless cook-

H.K. RAJASHEKAR/www.indiatodayimages.com

ing stoves called Pyro, grow into a successful enterprise. Sustaintech has sold over 1,700 stoves worth ₹2.5 crore. "Very few survive the start-up stage," says Svati Bhogle, CEO of Sustaintech. "We were good with the technicals, but Villgro helped us to function like a business, conduct market surveys and pitch to investors."

Reworking the organisational structure is often critical for social businesses to become more efficient and expand their reach. Innovation Alchemy, for instance, works with Bangalore-based Akshay Patra, which operates one of the largest kitchens in the world. It feeds about 1.3 million children every day as part of the mid-day meal scheme in nine states. Innovation Alchemy has helped Akshay Patra chart a plan which will enable it to cut costs, improve efficiency and increase its capacity to reach about five million children in the next few years. The key component is a change in Akshay Patra's centralised kitchen structure to a hub-and-spoke model, which cuts down meal preparation time. "Opening up networks and connections with state government departments is a must to open up funds for these businesses," says Menon.

UnLtd India founded by Pooja Warier works with social businesses right from the conception stage. It puts entrepreneurs through multiple levels of training from the idea stage to the pilot stage, right up to the point when it is up and running. It invests up to ₹20 lakh as seed capital and has incubated about 60 enterprises so far. Some of its successful ventures are Greenway Grameen Infra, which manufactures energy-efficient stoves for rural homes, and SMV Wheels which works with cycle-rickshaw pullers in Varanasi.

Most incubators have multiple tie-ups with large companies which support social businesses. "These are companies which are not interested in just giving away money as a grant but want to catalyse change," says Menon, who works with the World Bank for its Development Marketplace Programme.

Incubation at an early stage also helps social businesses get ready for follow-on funding from impact funds. Data from research firm VCCEdge shows India has more than 15 impact funds, including Acumen Fund, Omidyar Network and Lok Capital. In the last five years, 12 of about 30 companies incubated by Villgro have raised a total of $7 million to $8 million in funding. They include Desicrew Solution's first rural BPO, which went on to raise funding from VentureEast; Biosense, which raised funds from Global Super Angels; and Simpa Networks, which raised funding from International Finance Corp. "Early-stage incubation is leading to improvement in the quality and quantity of the pipeline for larger investors. They don't have the time and the capacity to build the pipeline themselves," says UnLtd India's Warier. ◆

Send your comments to editor.bt@intoday.com

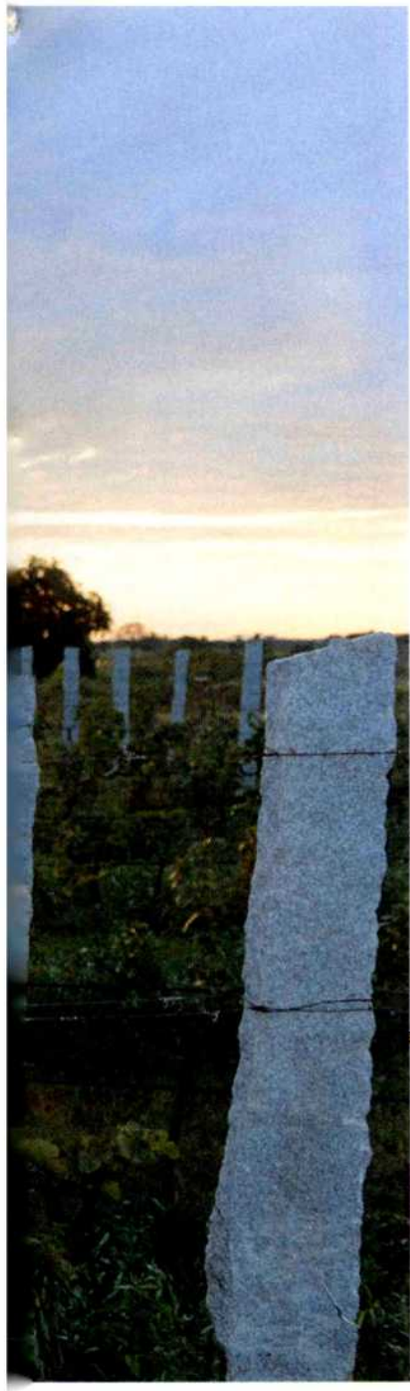
A New Sparkle

Indians drink very little wine. A host of newcomers, focused strongly on quality, are hoping to change that but they face formidable challenges. By GOUTAM DAS

PHOTOGRAPHS BY NILOTPAL BARUAH/www.indiatodayimages.com

Krishna Prasad Chigurupati grew up in Guntur, Andhra Pradesh, a town better known for its chillies than wine. But it so happened that when Chigurupati was 17, a local bishop introduced him to fine Italian wines, making him an oenophile for life. By 21, Chigurupati was making wine at home from Bangalore Purple grapes in empty beer bottles, jars and even buckets.

The founder and head of pharmaceutical company Granules India, Chigurupati, 58, along with wife Uma, has also started a wine making company Krsma Estates – a blend of their first names – headquartered at Hampi, Karnataka, close to the historic ruins of the Vijayanagar empire. The couple bought 170 acres of land there, set up a vineyard in 2008 and harvested their first grapes in 2011. They are about to hit the market



RAGHAVENDRA GOWDA,
Alpine Wineries

STARTED BOTTLING: **2011**
CAPEX: **₹80 crore**, **excluding land**
VINEYARD SIZE: **250 acre**
WINERY CAPACITY: **800,000 litre**

with a Cabernet Sauvignon, priced at ₹1,500 a bottle. "I want the wine to reflect our spirit, our taste, our personalities," says Chigurupati.

Krsma Estates is only one of a number of reserve wine making companies that have begun in recent years. There is also Fratelli Wines in Solapur, Maharashtra, an Indo-Italian joint venture. Three more are Karnataka-based – Alpine Wineries in the Kaveri Valley near Mysore, SDU Winery and ABS Vintners, both in the Nandi Valley, near Bangalore.

Raghavendra Gowda, founder of Alpine Wineries, hails from a family which has been in the country liquor business for four decades, apart from having interests in granite, hotels and real estate. SDU Winery belongs to Shaambhavi Hingorani, daughter of former External Affairs Minister – and earlier, Karnataka chief minister – S. M. Krishna, who has been growing grapes since 2003. Before starting her own company in 2011, she was selling them to other wineries. Ajay Shetty, who set up ABS Vintners, was formerly a banker with Merrill Lynch and Morgan Stanley.

What unites all five is their focus on quality and premium wines – priced above ₹500 a bottle. "Our volumes are not great but we are banking on quality," says Hingorani. "We have limited capacity. All grapes are sourced internally because we wanted to make sure we keep the consistency." Thus all of them, in their pursuit of excellence, want to own the complete chain from vineyard to winery. Currently, only Shetty of ABS Vintners does not – he buys grapes from contract farmers and gets the wine made at third party wineries, marketing it under the brand Myra – but he is clear this is a temporary arrangement. "The best quality wine is produced when you have everything in-house," he says. "But that takes five years. It's a long time to wait, doing nothing." He has bought land in Nandi Valley and believes, that having started out this way, he will have understood the market a lot better by the time his own grapes are ready for use.

All of them are paying close attention to detail, which is imperative to achieve quality. The kind of oak barrels in which wine is kept while it ferments and ages, for instance, affects its taste and texture considerably. So, Chigurupati of Krsma has imported his oaks from France. "The minimum age of the trees from which my barrels are made is 180 years," he says. "We know which forest the oak comes from and what kind of tree." As also, Gowda of Alpine Wineries who focuses on the minutiae. "We leave our grapes out in the sun for a longer period than is usually done," he says. "We wait for them to acquire the right amount of acidity before harvesting. Another crucial feature is hygiene in the cellar where the wine is stored. We ensure there isn't too much water on the floor and there are no bad odours emanating. These small details play a huge role in deter-

mining the quality of the wine."

Such passion is commendable – but how will the market react? The newcomers are bursting with optimism. "Outside India, wine drinkers are usually over 30," says Kapil Sekhri, Co-promoter and Director, Fratelli Wines. "But in India we are seeing curiosity about wine even among 21 to 23 year olds. This is a very good prospect. These are the guys with the disposable incomes."

UMA & K.P. CHIGURUPATI, Krsma Estates

STARTED BOTTLING: **About to start**

CAPEX: **₹12 crore**

VINEYARD SIZE: **170 acre**

Around 30 acre currently in use

WINERY CAPACITY: **80,000 litre**

Experts, however, agree that the road ahead for wine start-ups is unlikely to be smooth. Indians, comparatively, drink very little wine; they prefer liquor which quickly makes them tipsy. Wine has alcohol content between nine and 15 per cent by volume, while Indian spirits average 42.8 per cent. The country's per capita consumption of wine hovers around 10 ml per annum, or two teaspoons, according to a report from the Indian Grape Processing Board. In comparison, the Chinese knock back more than a litre of wine per person per year. Nor is the Indian's tepid response to wine showing any signs of changing. A report prepared by the US Department of Agriculture's Global Information Network says that while Indian wine production rose from 4.7 million litres in 2004 to 13 million in 2010, it has dropped since to 11 million litres in 2011, growing marginally to 11.5 million litres in 2012. Indian analysts peg the annual consumption at over 15 million litres but about 50 per cent of that is made up of the cheaper port wines, whose alcohol content is a notch higher at 16 per cent, and which are mostly artificially sweetened. Port wines are priced below ₹200.

Whatever market there is for premium segment has long been dominated by established players such as Sula Vineyards and Grover Zampa. There are also quality foreign wines such as Jacob's Creek and Yellow Tail available. Among local premium wine companies, only Sula is profitable. In contrast, most port wines make profits.

There are also other hurdles – the amount of investment required, the scarcity of local technical expertise and various marketing and distribution bottlenecks. Wine consultant Alok Chandra concurs with the view of the start-up founders that to produce good wine, growing the grapes oneself is essential. "Setting up a vineyard and winery is a capital intensive process," he adds. "The grapes come in three years after the crop is planted, but they will not give you good wine till the crop is five years old." The initial investment alone – on land acquisition, planting the crop and setting up the winery – even before marketing and distribu-

SHAAMBHAVI HINGORANI, SDU Winery

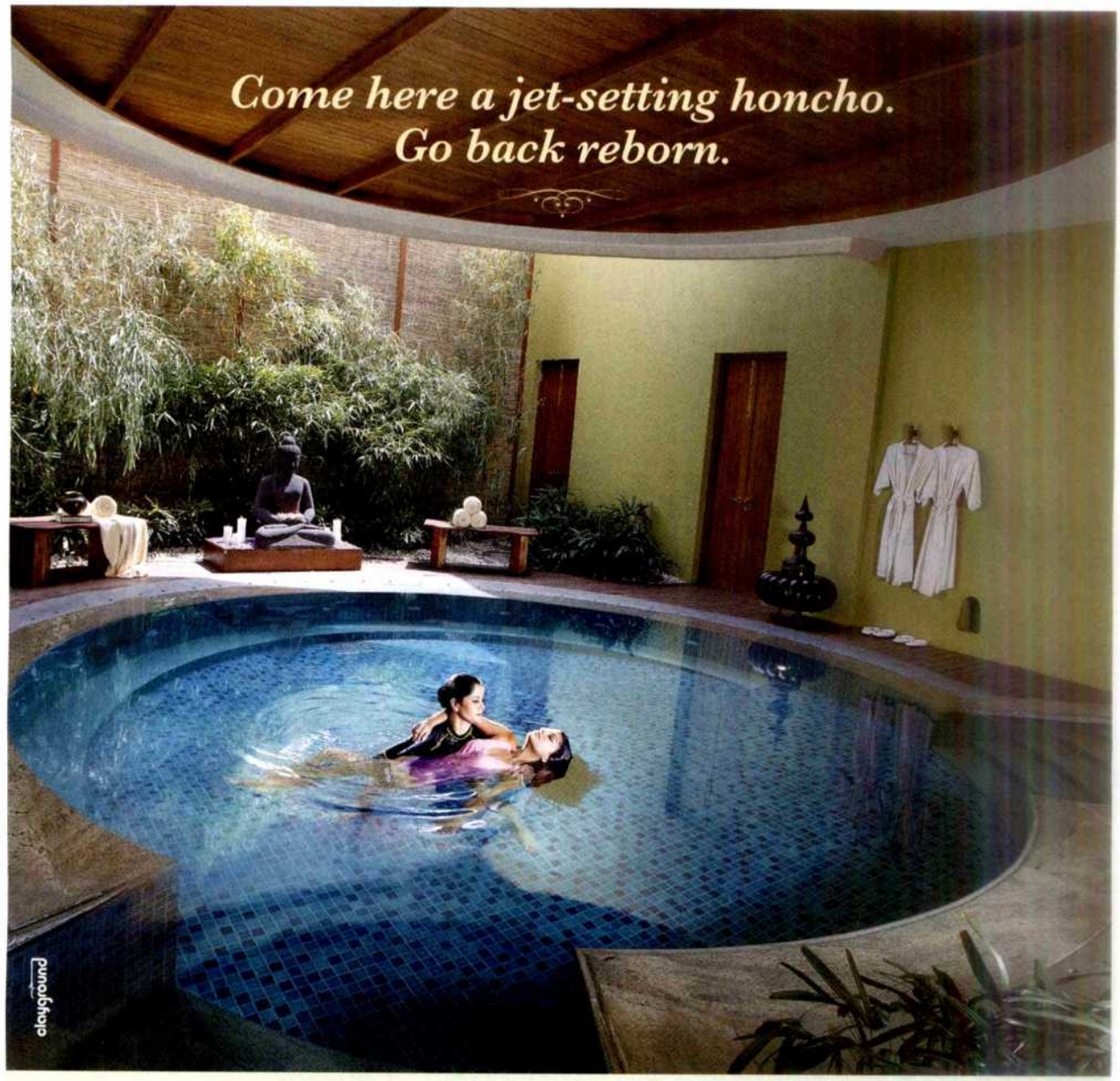
STARTED BOTTLING: **2013**

CAPEX: **₹4.5 crore,**

Excluding land

VINEYARD SIZE: **50 acre**

WINERY CAPACITY: **100,000 litre**



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AJAY SHETTY,
ABS Vintners

STARTED BOTTLING: **2013**

CAPEX: **₹30 crore** **Planned over next 5 years**

VINEYARD SIZE: **75 acre** **Not yet operational**

WINERY CAPACITY:
Procures from third parties

tion costs kick in, can be around ₹15 crore. Not surprisingly, all the newcomers are people with fairly deep pockets.

"Until you make a good wine, you cannot sell," says Chandra. "And to do that, you need to spend. You have to pump in money from somewhere else to sustain yourself." It could take seven to 10 years for a wine producer to turn a profit.

Thus Alpine Wineries, for instance, already has a ₹60-crore bank debt. "We are considering liquidating our collateral to reduce the debt," says Gowda. "We are trying to bring it down by ₹10 crore this year, so that the interest burden reduces." The company planted its 250 acre vineyard in 2007 and launched its wines in early 2012. It sold 4,000 cases in 2012 and is targeting 10,000 this year. "We need 25,000 cases a year to break even," Gowda adds.

It is also difficult to get sound technical advice. The start-ups have been turning to overseas winemakers for help, but the latter often direct them to their own suppliers, who again charge steeply for any support. Marketing challenges arise mainly from the fact that many established winemakers have already offered distributors unrealistic incentives – such as one free bottle for each bottle sold – which newcomers find hard to match.

However, all is not lost. If the wines are really good, there is always the overseas market. Krsma Estates, for instance, has the international market very much in its sights – Chigurupati notes that wine loving China alone can be a big market. Some of the start-ups have begun taking part in international wine challenges, and Indian wines are slowly being recognised. Says SDU's Hingorani, who recently attended the London Wine Fair: "There were many Indian companies there. India has evolved in the international market. My winemaker is very confident that our reserves too will be of global standard."

To promote brand loyalty, the start-ups are also considering getting into wine tourism. Gowda is planning a restaurant at his vineyard and has cleared areas where tourists can put up tents, apart from creating a vast artificial pond where they can fish. SDU has tennis courts at its winery. The drive to the winery provides breathtaking scenery which can also be effectively exploited.

It will be an arduous climb for the start-ups no doubt, but if they can sustain the quality of their products, not only are they likely to start winning awards and sell increasing volumes overseas, but India too could start figuring on the global wine map. ◆

For previous stories on the wine industry, go to www.businesstoday.in/archives-oct1313

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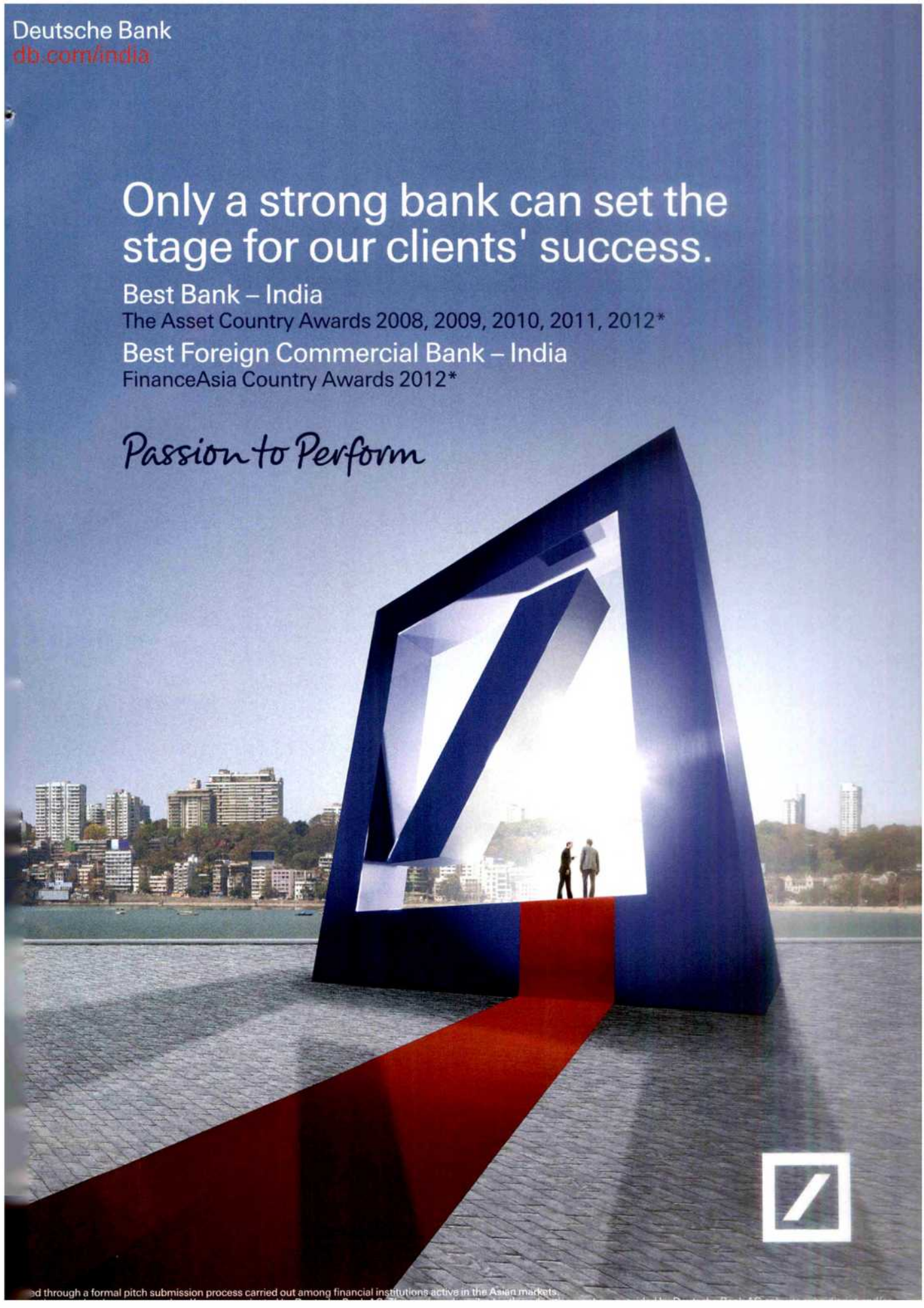
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Healing Chain

Pharmacy chain MedPlus, founded by a doctor-turned-entrepreneur, is now the second-biggest in the country, after Apollo. By E. KUMAR SHARMA

Every day, it sells around 600,000 units of medicine – tablet strips, syrups, injections, etc. – across its 1,070 stores spanning seven states. Popular brands, such as the vitamin capsule Becosules, or the ulcer antidote Rantac, sell close to a million units a month from its counters. Indeed, Hyderabad-based drug retailer MedPlus has swiftly emerged the second-biggest pharmacy chain in the country after the Apollo Hospitals-backed Apollo Pharmacy, with daily drug sales of about ₹3 crore. Apollo runs 1,500 stores countrywide, while other chains such as the Guardian Pharmacy from Gurgaon or the Hyderabad-based Hetero Pharmacy have 200 and 285 outlets respectively.

It all began in 2006 when Madhukar Gangadi – a medical doctor by training and an MBA in healthcare management from Wharton School – set up his first medical store in Hyderabad after returning from the US. He focused on generating volumes, backend efficiency and inventory management. The resultant cost savings were partly passed on to the customer. Gangadi continues to do so, currently offering 10 per cent discount on the maximum retail price to all buyers.

"Cutting costs and improving backend efficiency is always a work in progress," says Gangadi. He believes in closely monitoring costs. For instance, he deliberately chose not to

A. PRABHAKAR RAO

"Cutting costs and improving backend efficiency is always a work in progress... We are today one of the few retail stores that is able to make a profit"

Madhukar Gangadi, Founder, MedPlus

have 24-hour pharmacy stores – unlike many of his rivals – as these add a lot to manpower costs. "We found that typically people buy medicines till 11 p.m. Thereafter they buy only if there is a medical emergency. But in such cases, people would generally go to a hospital. So we opted to keep our stores open from 8 a.m. to 11 p.m.," he adds. To further trim costs and improve efficiencies, Gangadi is now focusing on the automation of his warehouses in several cities.

The locations of MedPlus stores is also carefully chosen by Gangadi's team. It maps regions and pinpoints places which have a high population of the educated middle class. If a store does not achieve operational break-even in six months, it is shut down. Thus, in the last five years, Gangadi has shut down 100 stores, which were not working, but added many more. This year, he plans to add another 100 to 150 stores.

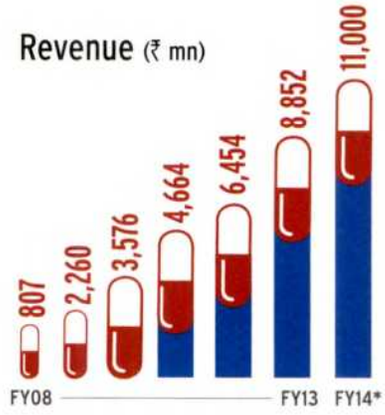
MedPlus has already begun making a pre-tax profit, even though it reports a post tax loss because of some accumulated losses it is trying to wipe out. "We are one of the few retail stores in the country that is able to make a profit," says Gangadi.

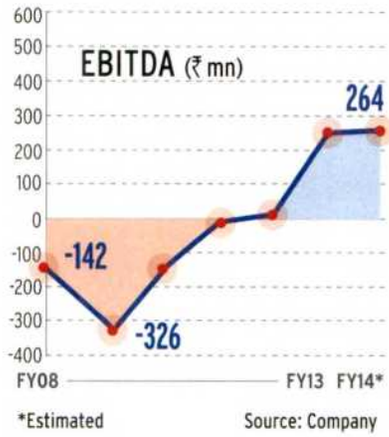
How does Apollo Pharmacy compare? "We get a three per cent EBITDA (earnings before interest, taxes, depreciation and amortisation) margin. In 300 stores, we have been able to hit six per cent margin," says Krishnan Akhileswaran, Apollo Hospitals' Chief Financial Officer, noting that though pharmacy retail is a low margin business, it is not capital intensive.

MedPlus also plans to boost margins by increasing private label product sales. It currently sells around 140 such drugs. They are outsourced from third-party manufacturers and sold under the MedPlus brand called MHS Pharma. "Today, the share of private labels is around 4.5 per cent of total sales. We hope to double it in two years and move beyond just medicines to offer a range of personal care products," says Gangadi. Why are private labels important? "They can typically give double the margins, as there is no marketing cost involved and one can get both the manufacturer's and distributor margins," says Gangadi.

HEALTHY GROWTH

MedPlus has been expanding fast





*Estimated

Source: Company

Founded 2006

Number of stores 1,070

Locations: Andhra Pradesh, Karnataka, Tamil Nadu, Maharashra, West Bengal, Orissa and Delhi NCR

Investors in MedPlus, such as TVS Capital Funds and India Venture Trust Fund (part of the Piramal group), like its business model. "Med Plus's supply chain management is world-class and there is tight control on costs with a focus on creating a world-class IT system," says Arun K. Purwar, ex-chairman of State Bank of India and current Chairman of Ajay Piramal Group-backed India Venture Advisors, which manages the India Venture Trust Fund.

The government's new price control regime for 348 essential drugs, however, is proving a major challenge for pharmacy chains. Indeed, Gangadi is considering scaling down the quantum of discounts offered or giving them only to bulk buyers.

Gangadi has also dabbled in other businesses with mixed results. In 2008, he set up a company focused on semi-customised menswear through a central inventory model. That folded up after its investors faced financial difficulties. But he is now re-modelling the business providing both online and off-line versions focused on menswear and furniture.

He is also raising funds for MedPlus' expansion plans. "We have so far invested over ₹150 crore. For our new investments we are in the process of raising another ₹60 crore from existing investors through a rights issue," he says. There is plenty of room to grow as organised pharmacy chains make up just one per cent of the mammoth ₹60,000 crore drug retail market, in terms of number of stores. Their market share is slightly higher at five per cent.

"There is room for all to grow as this is a huge market," says Ashutosh Garg, Chairman and Managing Director of Guardian Pharmacy. ◆

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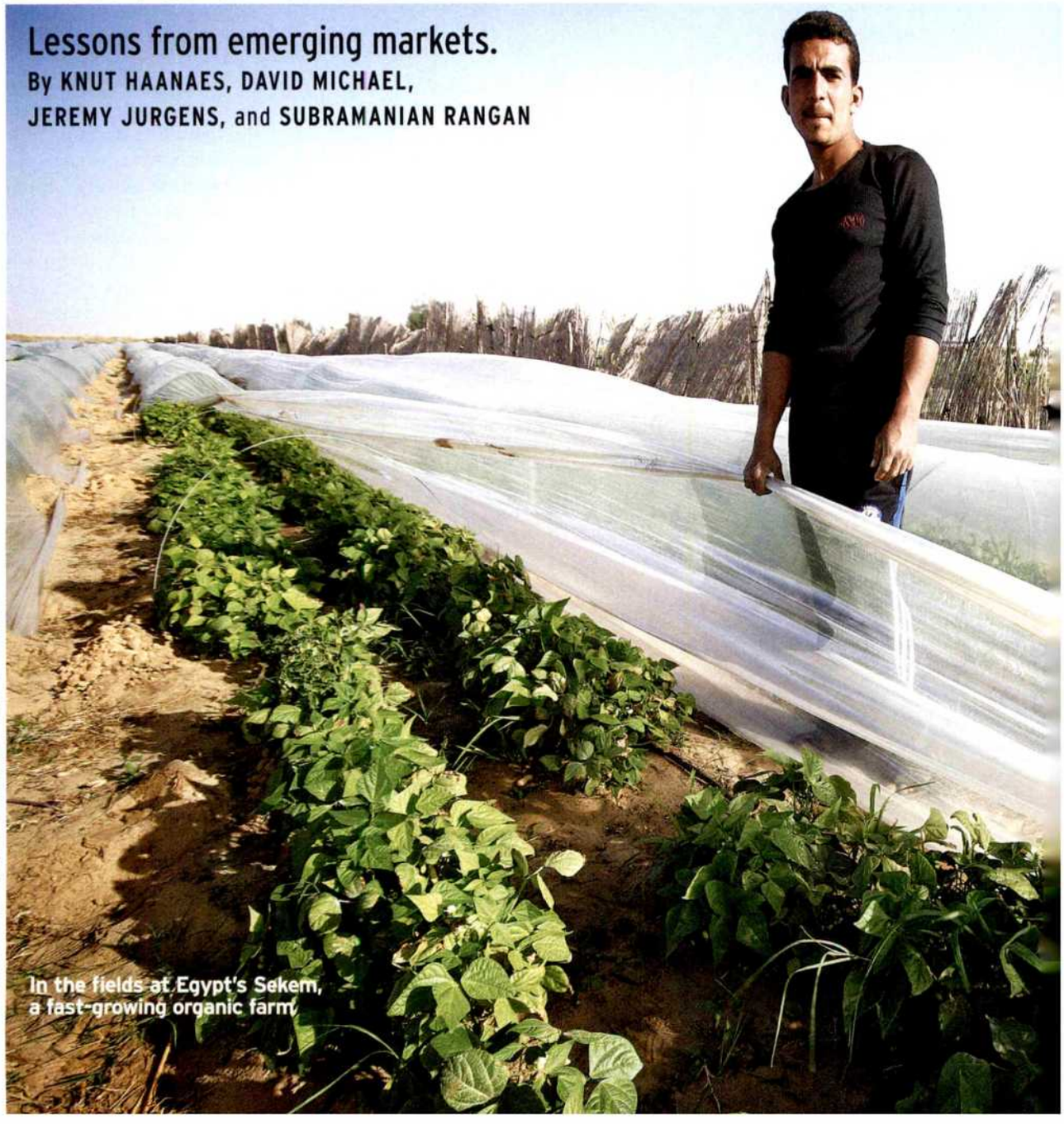
MAKING SUSTAINABILITY PROFITABLE

Lessons from emerging markets.

By KNUT HAANAES, DAVID MICHAEL, JEREMY JURGENS, and SUBRAMANIAN RANGAN



In the fields at Egypt's Sekem, a fast-growing organic farm

PHOTOGRAPHY: BIJAN KAFI/COURTESY OF SEKEM

Organic products were a luxury with little market to speak of when Ibrahim Abouleish founded Sekem, Egypt's first organic farm, in Cairo in 1977. The years Sekem spent honing sustainable cultivation practices paid off, though, in 1990, when it moved into growing organic cotton. Organic produce was entering mainstream Western stores then, and worldwide demand for all things organic began to surge.

There were other advantages to the organic approach as well: Sekem's farming techniques helped reclaim arable land from the Sahara, which had been spreading into the Nile delta. With them, the soil absorbed more carbon dioxide from the atmosphere, decreasing greenhouse gases, and cotton crops needed 20 per cent to 40 per cent less water.

In the bargain, organic techniques lowered the farm's costs, improved average yields by almost 30 per cent, and produced a raw cotton that was more elastic than its conventionally grown counterpart. So, far from being an expensive indulgence, organic cotton offered Sekem a business model that was more sustainable – not just environmentally but financially. In recent years that model has generated healthy revenue growth: From 2006 until the disruptions of the Arab Spring in 2011, the business posted 14 per cent annual increases, and Sekem is now one of Egypt's largest organic food producers.

Rapidly developing economies are often portrayed as sustainability laggards – focused more on raising their citizens out of poverty than on protecting the environment. It's true that their regulatory bodies can be weak, hesitant to impose restrictions on newly liberalised markets, or resentful of pressure from industrialised nations. But the developed world has never had a monopoly on visionaries, as Sekem's story illustrates. And in markets where the pressures of resource depletion are felt most keenly, corporate sustainability efforts have become a wellspring of innovation.

That's what we found in 2010, when the Boston Consulting Group joined forces with the World Economic Forum to identify companies with the most effective sustainability practices in the developing world. The study involved reviews of more than 1,000 companies ranging in size from $25 million to $5 billion, from a wide array of markets and industry sectors, and included interviews with almost 200 executives. From the pool of companies studied, we identified more than a dozen "champions", whose sustainability practices were highly effective, innovative, and scalable.

These organisations are located in countries across Latin America, Africa, the Middle East, Asia, and the South Pacific. Some pursue sustainability out of pragmatism, some out of idealism. But regardless of their motivation, they have consistently generated above-average growth rates and profit margins.

THE INNOVATORS ADOPT A DIFFERENT MIND-SET ABOUT COSTS: THEY FOCUS ON INCREASING THE EFFICIENCY OF THE SYSTEM AS A WHOLE

To make their environmental efforts pay off financially, these companies have, broadly speaking, followed one or more of three main approaches. First, many, like Sekem, took a long view, investing in initially more-expensive methods of sustainable operation that eventually led to dramatically lower costs and higher yields. Others have taken a bootstrap approach to conservation: They started with small changes to their processes that generated substantial cost savings, which they then used to fund advanced technologies that made production even more efficient. Last, some have spread their sustainability efforts to the operations of their customers and suppliers, in the process devising new business models that competitors find hard to emulate.

Collectively, these companies vividly demonstrate that trade-offs between economic development and environmentalism aren't necessary. Rather, the pursuit of sustainability can be a powerful path to reinvention for all businesses facing limits on their resources and their customers' buying power.

Taking a Systems Approach

It's hard for companies to recognise that sustainable production can be less expensive. That's in part because they have to fundamentally change the way they think about lowering costs, taking a leap of faith, as Sekem did, that initial investments made in more-costly materials and methods will lead to greater savings down the road. It may also require a willingness to buck conventional financial wisdom by focusing not on reducing the cost of each part but on increasing the efficiency of the system as a whole.

Zhangzidao Fishery Group, based in Dalian, China, is a good example. The group has adapted an ancient method that is now called integrated multitrophic aquaculture (IMTA). It's an approach analogous to companion planting: Rather than trying to maximise the production of a single species, gaining profits through economies of scale, as most traditional "ocean ranchers" do, Zhangzidao creates a balanced ecosystem of scallops, sea cucumbers, sea urchins, abalone, and other interlinked species.

Some species provide food for the others, so fewer have to be fed from external sources. In this way Zhangzidao reduces waste by converting fish by-products into harvestable crops. What's more, unlike single-species fish ranching, IMTA does not exhaust seabeds, eliminating the need to move cultivation from bed to bed to allow depleted areas to recover.

Zhangzidao has also adopted a simple practice called bottom sowing – similar to pruning – in which scallops are moved from overcrowded beds to more sparsely covered areas to increase growth rates, weights, and yields. Bottom sowing reduces disease and, like organic farming, creates a natural carbon sink that absorbs more greenhouse gas than it releases. And with the savings from its low-tech conservation efforts, the company has funded investments in cutting-edge technology for artificial reefs that foster marine life, for seaweed propagation, and for seafloor algae farms.

A focus on increasing profitability per unit of cultivation, rather than per species cultivated, has led to growth and profit levels that are nothing short of astounding. From 2005 to 2010, Zhangzidao sustained a compound annual growth rate of 40 per cent, in an industry where the average is just 13 per cent, as well as EBITDA margins of 31per cent.

Zhangzidao Fishery Group

DALIAN, CHINA
ORGANIC FISH FARM

By creating a balanced ecosystem in which several species of sea life are cultivated together, Zhangzidao reduces the amount of fish food needed, avoids depleting seabeds, and lowers costs and increases total yields dramatically.

2010 REVENUE
$340 million

2005-2010
COMPOUND
ANNUAL GROWTH
40%

2005-2010
EBITDA MARGINS
31%

Shree Cement

BEAWAR, INDIA
PRODUCER OF CEMENT AND ELECTRICITY

With savings from low-risk, high-return efforts to conserve electricity, Shree has funded increasingly sophisticated moves to reduce energy use and improve production efficiency.

2009 REVENUE
$809 million

2005-2009
COMPOUND
ANNUAL GROWTH
50%

2005-2009
EBITDA MARGINS
39%

Jain Irrigation Systems

JALGAON, INDIA
MAKER OF IRRIGATION SYSTEMS AND WHOLESALER OF PRODUCE

By agreeing to buy some of its customers' unsold produce for a set price, this farm-equipment supplier helped small customers afford its water-saving devices.

2010 REVENUE
$820 million

2006-2010
COMPOUND
ANNUAL GROWTH
40%

2006-2010
EBITDA MARGINS
18%

Photography (Top to bottom): Courtesy of Zhangzidao Fishery Group, Courtesy of Shree Cement, Courtesy of Jain Irrigation Systems

Taking the Low-tech Road

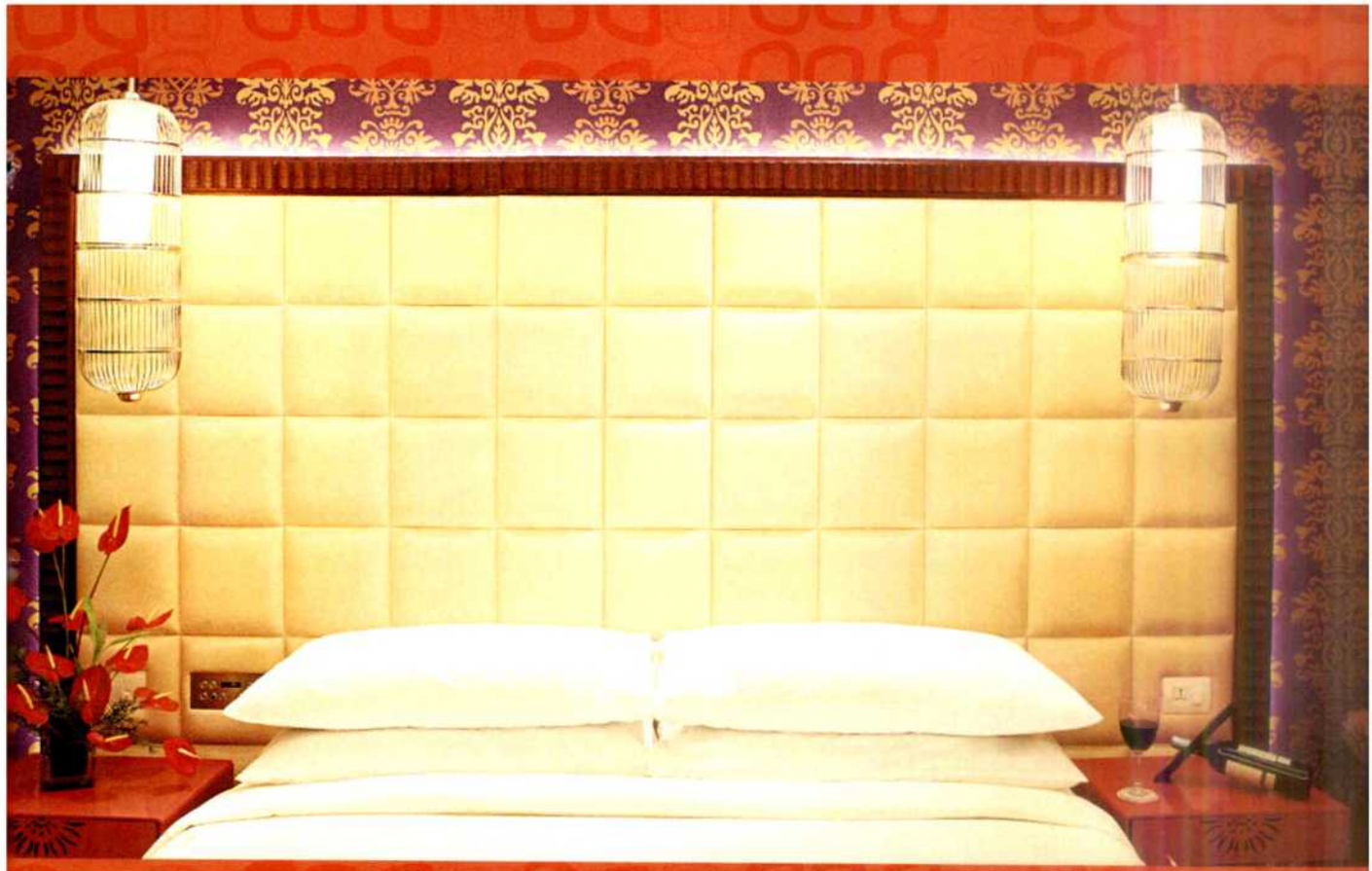
Unlike Western companies, which often try to mitigate the environmental damage done by their operations through costly retrofits or by underwriting the development of breakthrough technologies (think catalytic converters and smokestack scrubbers), many companies in emerging markets start small. They begin by conserving their most constrained resource with a series of minor adjustments to their operations.

Costa Rica's largest beverage bottler, Florida Ice & Farm, for instance, started by simply repairing water leaks in its production equipment in a timely fashion. In the Philippines, the Manila Water Company similarly focused initially on water lost to leaks or illegal taps of its pipes. Such savings are hardly trivial: From 1997 to 2010, the company recovered an amount of water equal to the supply from a medium-sized dam, which would have cost an estimated $750 million to build.

As low-cost moves reap larger and larger returns, businesses can expand conservation efforts to other parts of their operations. Eventually, savings can mount high enough to fund purchases of expensive technologies and R&D initiatives that many Western companies might have started with.

Shree Cement is a case in point. When it began operations, in 1985, Shree had no explicit plan to promote sustainability. Like many other Indian companies, it invested in a diesel-generating plant to protect itself from disruptions to the supply of electricity, which is unreliable in India. But unlike most of its competitors, it experimented with tweaks to production processes to decrease the amount of electricity it needed.

As small changes added up to significant savings, Shree's engineers widened the scope of their conservation, turning their attention to ways to reduce the use of the company's kilns. The kilns, which consumed large quantities of coal to generate high temperatures, produced a material called clinker, which was cooled and mixed with a few stabilising ingredients to make cement. By replacing some of the clinker with waste coal slag and fly ash recycled from the kilns' operation, Shree's engineers could make a cement suitable for certain applications and save a lot of energy.



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Eventually, Shree could afford to invest in more-sophisticated technologies, such as one that recycled the hot exhaust from the kiln to power a separate electrical plant. Finding that it could generate electricity much more efficiently than the local municipal power plant, Shree built larger, coal-fired plants, whose production more than covers the company's growing needs. Deregulation in India's power industry has made it possible for Shree to sell its excess electricity on the open market, which it generates at some of the lowest prices in the region.

A few of these improvements required major capital investments, but most involved just engineering work and a willingness to challenge conventional thinking. In total, they've cut expenses and emissions substantially. Shree produces a ton of cement using nine per cent less energy than the average Indian manufacturer and 15 per cent less than the global average. Its cost-reduction efforts, so critical in a commodity industry, have helped the company outpace rivals and expand profitably. From 2005 to 2009, Shree's revenues grew five times faster than the global average for the cement industry. Today, Shree, which had 2009 revenues of $809 million and stunning EBITDA margins of 39 per cent from 2005 to 2009, is one of the top five cement manufacturers in India.

Taking a Broader View

Impressive as the cost efficiencies are, more intriguing is the growth that companies in emerging markets have gained by extending their sustainability efforts to the operations of their customers. Companies are building unique business models by boosting customers' buying power and, in the process, creating interdependencies that are difficult for competitors to copy.

Consider Jain Irrigation Systems, in Jalgaon, India, which began as a supplier of irrigation systems for small farms. Farming in India has traditionally relied on monsoons, which recently have weakened. As water supplies have dried up, farmers have been going out of business. Some have even committed suicide in the face of mounting debt.

To help its customers, Jain Irrigation began adapting micro-irrigation systems to Indian conditions. It taught customers how to use them effectively through precision farming, which increases output by optimising the balance between fertilisers, pesticides, water, and energy. In this way the farmers could use less water but still increase yields.

Most small farmers could not afford to purchase Jain Irrigation's systems without financing, however, and banks were reluctant to grant credit to illiterate villagers. So the company helped its customers apply for government subsidies. It also made a daring move into the wholesale agricultural commodities trade – promising to buy some of the crops its customers grew with its equipment at a set price and then reselling the produce. The guarantees in turn persuaded the banks to lend to the company's customers.

BY EXTENDING THEIR SUSTAINABILITY EFFORTS TO CUSTOMERS' OPERATIONS, FIRMS HAVE ACHIEVED IMPRESSIVE GROWTH

Jain Irrigation had no expertise as an agricultural wholesaler, and it could have faced a revolt from shareholders for straying so far from its core. Nevertheless, customising its business model so radically to local needs has enabled the company to outperform other suppliers of irrigation systems. From 2006 to 2010, the company experienced compound annual revenue growth of 40 per cent and EBITDA margins of 18 per cent – both well over industry averages. Unlikely as it may seem, 20 per cent of revenues now come from its agricultural wholesale business.

In Chile, Santiago-based Masisa is experimenting with a way to expand demand for its sustainably harvested wood. It has created a network of local carpenters to whom it gives training and special access both to its lumber and to Western customers willing to pay a premium for furniture made from it. Masisa aims to build demand for its products in remote, underdeveloped areas of the country, while giving the carpenters an incentive to use sustainable wood rather than buy from illegal cutters. Having started locally in 2009, Masisa has already replicated the model in Argentina, Brazil, Mexico, and Venezuela.

In Brazil the natural-cosmetics company Natura has built a unique competitive advantage by forging a similar symbiotic relationship – not with its customers but with its suppliers. The company has worked with rural communities, local governments, and NGOs to develop ways to sustainably extract raw materials. In turn, it teaches those methods to its suppliers, thereby helping them create jobs and increase capabilities in their communities.

In an industry where offering a constant stream of new products is crucial, Natura can compete against large multinationals with a far smaller investment in R&D, thanks to its research partnerships. Products launched in the most recent two years account for a share of Natura's total revenue that is far higher than the industry norm. More than 50 per cent of the 427 products the company launched from 2008 to 2010 were developed through its open innovation efforts.

The Rewards and Risks of Pioneering

It's remarkable how many companies in emerging markets chose, like Natura, to embark on sustainability efforts long before any imperative arose. (For more about the genesis of Natura's business model, see "The Growth Opportunity That Lies Next Door," *HBR*, July-August 2012.) In the process they often gained important first-mover advantages as markets for environmentally friendly goods grew.

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Florida Ice & Farm

SAN JOSÉ, COSTA RICA
BEVERAGE BOTTLER

This leading Central American company set – and met – the goal of becoming water-neutral in only four years.

2010 REVENUE
$571 million

2006-2010 COMPOUND ANNUAL GROWTH
25%

2006-2010 EBITDA MARGINS
30%

New Britain Palm Oil

MOSA, PAPUA NEW GUINEA
PRODUCER OF ORGANIC OILS, SUGARS, AND MEAT

New Britain's sustainable methods of agriculture have used 50 per cent less pesticide while increasing yields 1.6 per cent every year for the past 30 years.

2010 REVENUE
$470 million

2005-2009 COMPOUND ANNUAL GROWTH
30%

2009 EBITDA MARGINS
34%

New Britain Palm Oil was decades ahead of its time when in 1963 it developed integrative pest management that introduced natural alternatives to some chemicals while increasing crop yields. New Britain also chose to avoid planting altogether on the peat lands and in the rain forests of the biologically diverse islands of Papua New Guinea. As it expanded in later years, it leased its fields and partnered with small farmers rather than buying land outright. As a result it helped reduce local poverty and built close ties with the community, which allowed it to avoid the kinds of conflict that have hindered development in other palm-oil-producing countries.

Over the years the company has created a completely traceable supply chain – something that is greatly valued by B2B customers who are willing to pay higher prices for sustainably sourced raw materials. This favourable position has helped New Britain maintain a muscular 30 per cent annual growth rate in recent years and achieve 34 per cent margins.

Florida Ice & Farm was also ahead of the curve when in 2008 it set the extraordinary goal of becoming water-neutral in just four years. It was reacting not to any immediate environmental threat, since water is abundant in its tropical location, but to public concerns. Traditionally, bottlers use large amounts of water in cleaning the bottles and in the heating and cooling phases of production, as well as in the drinks themselves.

Bringing the latest technology and process innovations to bear, the company reduced the amount of water it took to produce a litre of beverage from 12 to 4.9 litres. In 2009 the company's Pepsi bottling plant, which it had acquired two years earlier, became the world's most water-efficient, using just 2.2 litres of water per litre of beverage. To offset its remaining consumption, Florida Ice has piloted community conservation efforts and helped engineer improvements to the national water infrastructure.

Keeping employees focused on such ambitious goals can be a challenge for organisations. Florida Ice has addressed it by developing a balanced scorecard that includes nonfinancial metrics such as the number of community service hours that employees spend planting trees that protect watersheds. It ties the compensation of its CEO and all other executives to the firm's performance not only on financials but on environmental and social efforts, including those aimed at reducing binge drinking and the sugar content in soda. Moving towards a triple-bottom-line accounting system has not slowed the company's growth. The compound annual growth rate of 25 per cent and EBITDA margins of 30 per cent it saw from 2006 to 2010 were both twice the industry average.

IN A WORLD OF SCARCITY, COMPANIES WILL NEED TO CONSIDER THEIR TOTAL RETURN NOT JUST ON ASSETS BUT ON RESOURCES

In South Africa, food retailer Woolworths (no relation to the old US five-and-dime) has instituted a similar balanced scorecard. Each business unit is rated on key "green" performance indicators, which are linked to compensation. Natura uses a carrot rather than a stick, training managers to identify socio-environmental challenges and turn them into business opportunities, and granting bonuses on the basis of environmental and social performance.

READY OR NOT, we are moving to a world of scarce resources, in which companies will increasingly need to consider their total return not just on assets and equity but on resources. They will have to monitor how much water, soil, and other natural resources they consume, as well as the payback they get from them. Companies that fail to calculate this equation will find themselves at the mercy of price increases and volatility, regulation, and social pressures, while those that master it will enjoy competitive advantage and gain market share. ◆

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MONEY

TIE UP LOOSE ENDS
CLEAR ALL FINANCIAL DUES, OPEN AN NRE ACCOUNT, MAKE ARRANGEMENTS TO KEEP PAYING LONG-TERM LOANS AND PREMIUMS, BUDGET FOR EXPENSES ABROAD

RAJ VERMA

Look Before You Leave

Know what you should do to organise your financial portfolio at home before moving abroad. By RAHUL OBEROI

These days it is not uncommon for people to shift overseas for work. To keep your finances in order, here are some essential matters you must look into before leaving the country.

Take care of your bank accounts, credit cards and utilities: Remember to convert your savings account into a non-resident ordinary (NRO) account. Non-resident Indians (NRIs) can deposit their income in India such as rent, dividend and pension into NRO accounts and make payments from them as well. Also, some banks offer a sweep-in facility, under which any amount above a threshold is put into a fixed deposit that earns higher interest. Check for this in case you are expecting some cash inflow into your account. This will help you earn higher interest than from the savings account. Also, consult your financial advisor to understand the tax implications. It is important to clear your short-term debts and surrender all credit cards too. In case you have a large debt, for instance a home loan, shift to the auto payment mode so that the payment of monthly instalments is not affected.

Open a non-resident external (NRE) rupee account: An NRE account is an external savings bank account for NRIs. Since it is an external account, the money deposited can be taken outside the country. It is fully repatriable. So, if you want to invest your money earned abroad in India and want this money back after some time, you will have to open an NRE account. The account can help you transfer funds freely between India and the country you move to. The interest earned on the money in the NRE account is not taxed in India.

"Very Difficult to Manage Accounts in India from Abroad"

What were the steps you took before moving abroad?

I authorised online access to all my financial accounts and made sure that there was a channel to transfer money to or receive cash from India. I also assigned my father the authority to sign on my behalf (on a registered stamp paper). Further, I recently opened NRO and NRE accounts.

How difficult is it to handle finances in India from Singapore?

It is very difficult to manage financial accounts from abroad, as most banks, brokerage firms and insurers do not have functional online services. You often need to call them up, which is difficult and expensive. Sometimes they also request hard copies of address proof or identity proof to be submitted as part of KYC norms. This is almost impossible when I'm not in India. Also, when I applied for a home loan in India, it was a hassle following it up. I couldn't even bargain for a better interest rate, as I couldn't visit the bank branch that was examining my application.

Name
Girish Gupta

Profession
Sr Software Engineer

Present location
Singapore
(Moved in 2012)

Plan your budget properly: Kapil Narang, Chief Operating Officer, Ameriprise India Advisory Services, says: "Always consider the real cost of moving and living abroad while evaluating your expenditure." The expenses that will arise before moving relate to visa, legal clearance, long-distance shipping and travelling. After reaching your destination, you may have to make big-ticket purchases such as cars and furniture. "Another essential to consider is securing an emergency fund, which should be six to seven months of living expenses," adds Narang.

Life insurance: In case you have an endowment plan, you can continue the policy and set the auto debit mode in your bank account so that the premium payments are not delayed. However, for term insurance plans, you must check if your insurer provides the cover in the country you are relocating to. If not, you should surrender the policy and buy a fresh term plan abroad.

Health insurance: It is best to surrender the existing policy and buy a new one in the country you are shifting to. Health and medical care regulations vary between countries.

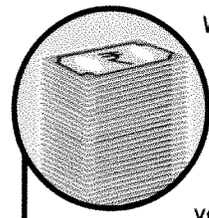
Nomination: You should make sure that all your financial assets have nominees. Says Anil Rego, Founder and CEO, Right Horizons: "A nominee is important as in the event of any unfortunate incident the fate of your financial assets will be uncertain in the absence of any person who can lay claim to them."

Portfolio Investment Scheme Account: NRIs can invest in Indian stock markets under the portfolio investment scheme (PIS) of the RBI. An individual can open only one PIS account for buying and selling stocks. The PIS account is only for NRIs and not for resident Indians. It is only for trading in Indian equities and not mutual funds.

Keep track of and secure the safety of personal finance details: Keep your financial data such as credit cards, user names and passwords secure so that these can be accessed at a later date. Says Adhil Shetty, CEO, BankBazaar.com: "Make arrangements with the bank or with people who might stay behind regarding physical bank statements and credit card bills, or else activate email options for these. Inform your banks, mutual funds, credit card companies and insurance companies about the change in your communication address and activation of online requests." ◆

Courtesy: *Money Today*

Maintaining Your Domestic Credit Score



While moving abroad is an opportunity to enhance your career, keep in mind that you need to clear all your financial dues before you leave

- **Pay off credit card dues and surrender the cards. Do get the closing statement from the credit card company**
- **Make arrangements for loan repayment. Inform your bank that you're moving abroad and update your address as soon as possible**
- **If you are the guarantor for a loan, make sure that repayments are regular. A guarantor's credit score is affected if the borrower defaults**
- **Even when you are abroad, keep track of your credit history in India. You can access your credit report and score online**
- **In some countries, a prospective employee's credit report is part of a background check during recruitment. So, it will affect your chances when you change jobs or want to return to India**

Harshala Chandorkar, Senior Vice President, Consumer Relations, CIBIL

LAST BUT NOT LEAST

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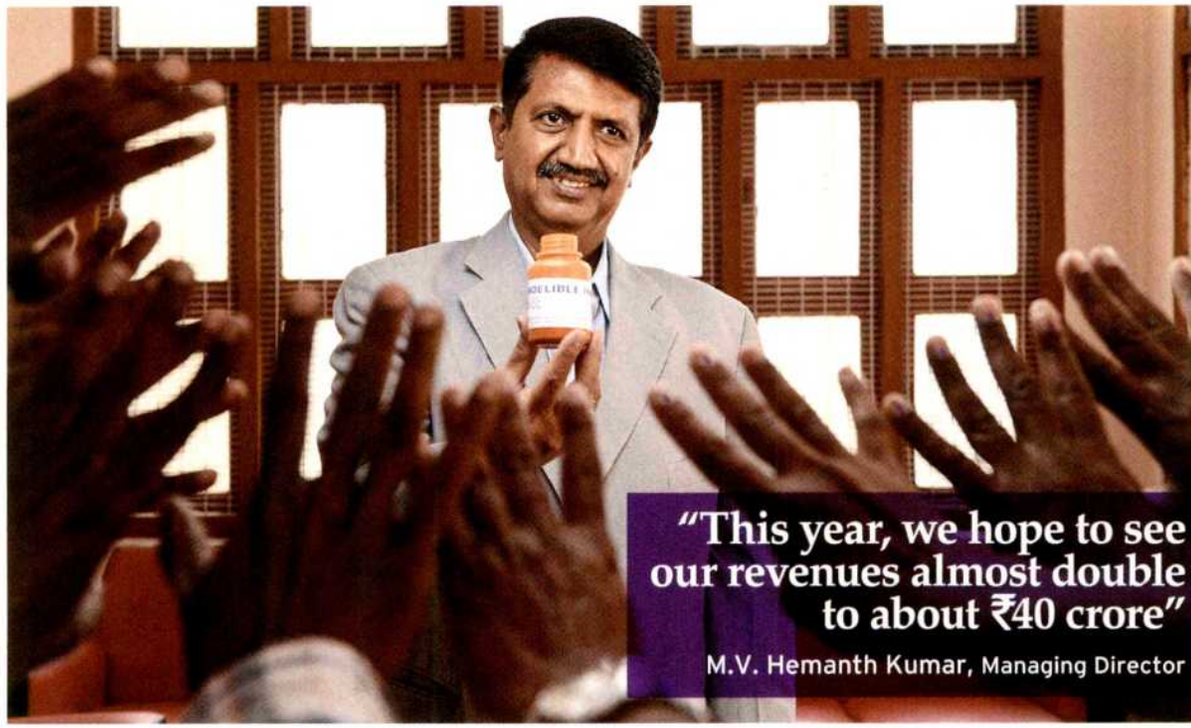
India Ink

You may never have heard of Mysore Paints & Varnish, but the company's ink has made its mark at polls in India and elsewhere. By K.R. BALASUBRAMANYAM



NILOTPAL BARUAH/www.indiatodayimages.com

"This year, we hope to see our revenues almost double to about ₹40 crore"

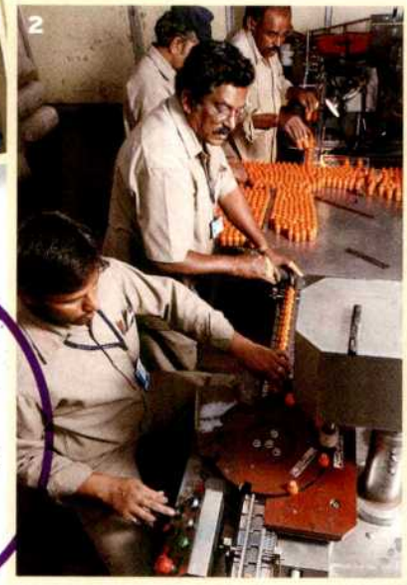
M.V. Hemanth Kumar, Managing Director

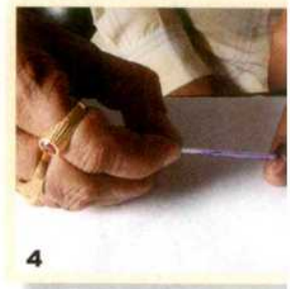
When East Timor, a tiny half-island nation in Southeast Asia, held its parliamentary elections last year, a small public-sector company in Karnataka left its mark on every voter. As polling day approached, East Timorese officials began shopping for indelible ink. They zeroed in on a non-descript factory in Mysore, Karnataka. They placed an order, and Mysore Paints and Varnish Ltd delivered 3,000 bottles in just under a week.

The company does not always work at such breakneck speed. For Indian elections, it gets orders well in advance, and has already shipped supplies for assembly elections coming up in Chhattisgarh, Madhya Pradesh, Mizoram, Rajasthan and Delhi. Its next big thing is, of course, the Lok Sabha elections in 2014.

Poll Vault

Inside the country's only indelible ink factory





1. The Mysore factory
2. Workers fill bottles with ink
3. Ink ready for shipping
4. Marking a voter's finger

"Not a year goes by without elections in some place or the other," says M.V. Hemanth Kumar, Managing Director at the 76-year-old company set up by the ruler of the erstwhile Mysore State. The company, now run by the Karnataka government, is the only one in the country that makes the indelible ink that most voters consider a mark of pride.

The company started out with decorative paints, and entered the ink business in 1962 at the request of the Election Commission. In India, the ink is used for elections all the way from Parliament down to municipalities, cooperative institutions, and organisations that, by law, require elections.

The ink is not sold to the public. "We provide it to only those who have a legal and genuine need for it," says Hemanth Kumar. "We don't market the ink as we market industrial coatings, decorative coatings, and primers." Besides elections, the ink is used in Pulse Polio campaigns, and in some hospitals to mark cancer-affected areas of the body.

The ink, which is violet in the bottle, turns black when dabbed on a finger, and stays that way for almost a month. Company officials say it cannot be erased. "When the stain disappears depends on the temperature of the individual's body and environmental conditions," says C. Hara Kumar, Genera (Marketing).

He says the company complaints so far, thanks quality control. "Since th tosensitive, it reappears tries to erase it." This phot is also the reason why it amber-coloured bottles a from exposure to direct su

So what goes into the is a secret," says Managi Hemanth Kumar with a main raw materials ar spirit and silver, so the pr has a direct bearing on the ink. The company raw materials within chemical composition, d the National Physical La closely guarded.

In 1979, the compar from glass bottles – or ph are called – to plastic c then, losses due to leaks age has fallen from 15 one per cent now.

Inked In

The smallest order comes from the Lakshadweep islands – 120 bottles of 10 ml each

Srikantadatta Narasimharaja Wadiyar of the Mysore royal family is a stakeholder

The company took just a week to supply 3,000 40-ml bottles to the Southeast Asian nation of Timor Leste last year

DISCOVER HOW INNOVATION CAN ENHANCE COMPETITIVENESS IN UNCERTAIN TIMES

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MALAYSIA	TOGO
MALDIVES	TURKEY

GRAPHIC: SANTOSH

The company usually sells the ink in 10 ml phials that cost ₹183 apiece. One phial is enough for about 700 people. In the current season, the biggest order of 120,000 phials has come from Madhya Pradesh, and the smallest, of 40,000 phials, is from Delhi.

The company regularly exports ink to several democracies. Countries buy ink either through a global tender, or through their embassies in India, or with the help of United Nations agencies. "Earlier, making the ink was a once-in-five-years affair, but after elections became mandatory for local bodies, and exports picked up, it is now a regular activity," says K.S. Muralidhar, a veteran at the company who retired recently as Manager (Materials).

The ink made headlines in the international media in October 2004, when some reports alleged that it was not indelible in Afghanistan, and helped some people there to vote more than once. The company, however, had denied that it was at fault. "We were not at fault," says marketing manager Hara Kumar. "Instead of using the pen meant for indelible ink, they used general marker pens. They have admitted their mistake." That was the first time Mysore Paints had made indelible markers, at the request of the UN, which supervised the Afghan elections.

In India, the ink is dabbed on with a stick, but it is applied differently elsewhere. In Cambodia and the Maldives, voters dip a finger into the ink. In Burkina Faso and Burundi, the ink is applied with a brush. The Turks apply it with nozzles, and the Afghans, with pens. "We supply the ink according to customer specifications," says Hara Kumar. Last year, the company earned ₹4 crore from ink exports.

As the name suggests, Mysore Paints also makes decorative coating, industrial paint and wood polish. However, the ink business has overshadowed the paint business. It earned ₹21 crore in revenue last year, and made a profit of ₹1.5 crore, and sixty per cent of the revenue came from ink, whose demand has been rising 10 to 20 per cent with every general election. "This year we hope to see our revenues almost double to about ₹40 crore," says Hemanth Kumar.

The Karnataka Government holds a 91.39 per cent stake in the 65-employee company. The remainder is owned by about 1,000 shareholders, including Srikantadatta Narasimharaja Wadiyar, scion of the royal family of Mysore. Profitable since 1991, the company is listed on the Bangalore Stock Exchange, though its shares are not traded.

As for next year's Lok Sabha elections, the company needs 60 working days to meet the demand. Once orders are in, four-hour overtime shifts will be introduced. The orders are not placed directly by the Election Commission, but by its offices in various states.

In the 2004 general elections, the company supplied 1.7 million phials of 5 ml each, but had to increase the supply to two million in 2009, because the Election Commission changed the marking style from a dot on the finger to a short line across the fingernail and skin. The order for next year's general elections is estimated at around 2.2 million phials of 10 ml each, worth around ₹31 crore. ◆

Send your comments to editor.bt@intoday.com

NANDAGOPAL RAJAN

Chips on Your Shoulders

Gadgets you can wear on your body could be the next big disruptor

Every discussion on future technology has to be qualified with a *ceteris paribus* at the end to highlight that all conclusions are reached or predictions made assuming that "other things remain the same". This is simply because of the way technology is progressing. We have no idea when the next disruptor will come along. I have a feeling the next big thing is already here – it is wearable technology.

The concept of wearing a gadget is nothing new, though many of you might have become aware of it only after Samsung announced its 'smartwatch' Gear recently. Let's take watches. Casio watches with calculators, a gadget of choice among teenagers appearing for those tough mathematics examinations in the 1980s, were also smart. There were even watches that showed live TV. But it is only now that the technology you use on a daily basis has started coming to gadgets attached somewhere on your body. In fact, ABI Research, a New York-based market research firm, predicts that at least 1.2 million smartwatches will be sold globally this year, thanks to the likes of Samsung launching Gear.

The best example of wearable technology has to be Google Glass. It is like having the largest repository of knowledge, or Google as we like to call it, on the bridge of your nose. The glass projects images in front of your eyes, and users can use voice commands to find the best route to the nearest ATM or place a call home. It can do pretty much everything that your smartphone can, but it does not have to be held or touched to do them. Many smartwatches also have a similar job profile, though most work as an extension of the smartphone instead of trying to replace it.

But all these smart devices could end up posing a serious threat to the very existence of smartphones, which are expected to rule the world in the future. If this disruptor catches public fancy, the phone could well become redundant, along with the entire ecosystem it patronises. As everything from clothes to shoes become intelligent and connected, the way we interact with technology is bound to change.

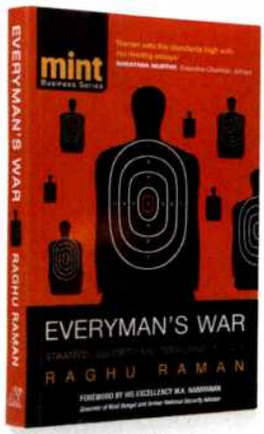
Wearable technology is not just about watches and goggles. It is also about data, about everything you do. The Jawbone UP, Fitbit Flex and a bunch of other devices can track your physical activity to the last detail. That kind of data can help you reach your workout goals – and it could also change the way doctors diagnose diseases. Why would you, for instance, need an ECG when a device has been monitoring every breath you took for months? It knows what you ate, how long you slept. At some stage, maybe it will even suggest what could be or could go wrong with you.

Another big trend these gadgets are gradually bringing in is that of life chronicling. The brooch-like Memoto camera can capture a picture every 30 seconds, while the Autographer (camera) decides by itself when it needs to use its unique 136-degree eye view lens to capture the moment. The Looxcie HD takes this to another level by streaming live video from atop your ears. You will literally be able to watch your life rewind – well almost. The Kapture wristband also plays on the concept of rewind and records audio on a 60-second buffer. So when you want to repeat something or share what you said with the world you simply rewind.

On the flip side, while all these devices are great, they will also make our lives an open book. As Canadian thinker Don Tapscott once told me: "If you decide to wear transparent clothes you have to make sure you have a good looking body." So those who have decided to livestream their lives with a Looxcie must be very careful where they look. And with a Kapture on your wrist, you will have to watch your tongue every minute. Yes, wearable gadgets will change our lives for sure. ◆

Your War, My War, Our War

Why individuals are now at the frontlines of the defence against terror



Everyman's War Strategy, Security and Terrorism in India

By Raghu Raman

Random House India

Pages: 240; Price: ₹299

Gun-toting black cats, bulletproof vests and pilot flanked official cars might make those protected by such appurtenances feel secure. But is anyone really secure in today's world where you don't know where your next threat will originate? It could be from your soft-spoken techie neighbour or even the unassuming photo editing app in your smartphone.

Thanks to his stint in the army, Raghu Raman has had a close view of some of India's recent battles, such as the insurgency in Punjab and the continuing standoff in Siachen, Kashmir. Now, as the CEO of the National Intelligence Grid (NATGRID), created after the 2008 Mumbai attacks to collate vital national security-related information, Raman keeps his ear to the ground and his finger on the nation's pulse, trying to catch that one sound or beat that is amiss and could be a warning.

Everyman's War: Strategy, Security and Terrorism in India, a collection of Raman's columns in *Mint*, chronicles how notions of security have changed. It maintains the country alone cannot battle the terrorist threat, but needs each one of us to be vigilant at our own levels. Raman tries hard to drill in the fact that "government establishments can only do so much to combat terror". He adds: "Terrorists operate and thrive within the public infrastructure that society uses... so there is no one better poised than bankers, telecom and airline operators, and the citizens within the community to identify the outlier behaviour that acts as an early warning signal for imminent attacks." Citizens are now the first line of defence.

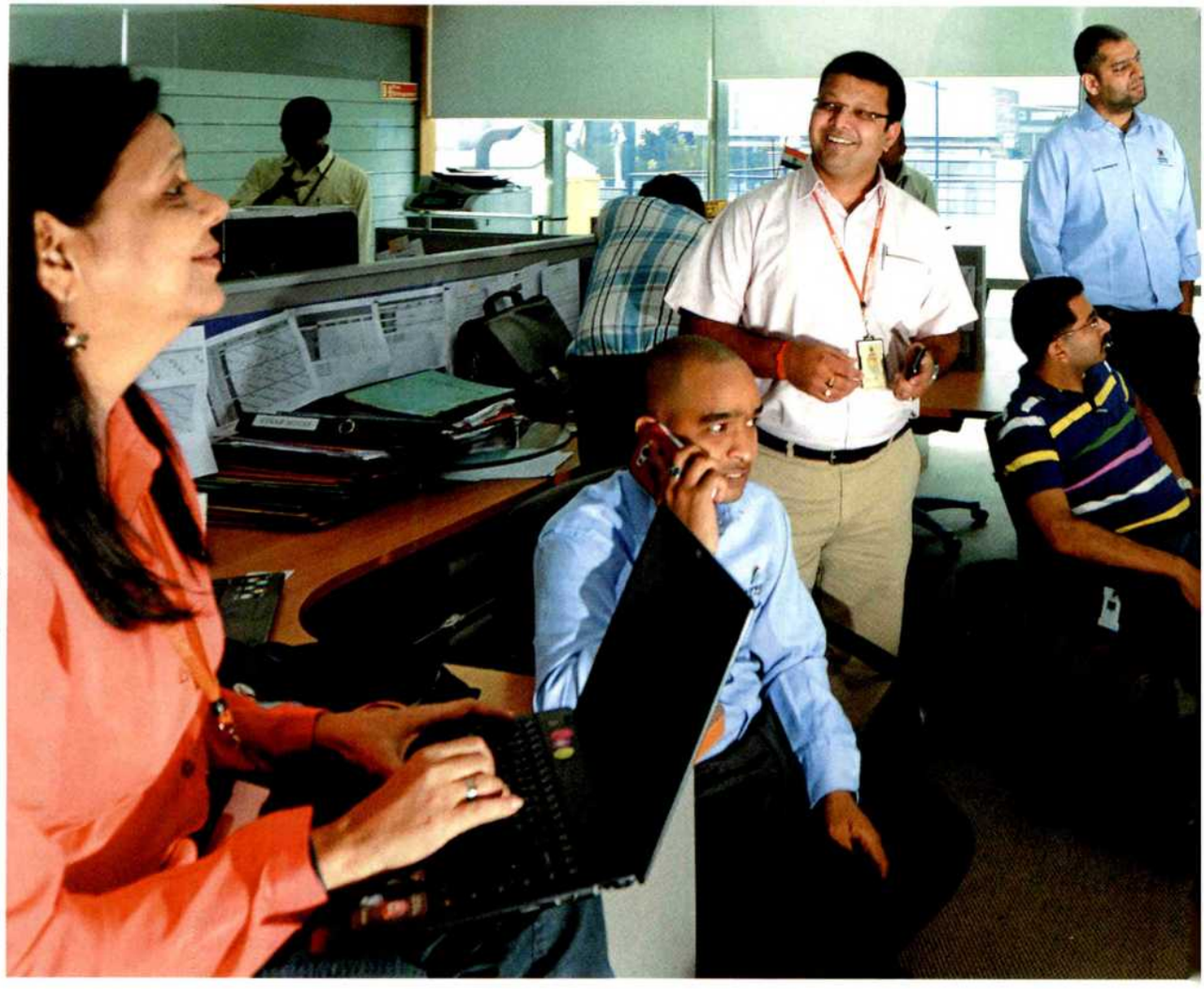
In sync with the times, Raman outlines how the threat from cyberspace, the new frontier for terror, has moved from nerdy kids hacking websites for fun to countries using the Internet as a force multiplier. He goes on to call this new strategy a 'turning move', where the enemy turns away and strikes from a totally different direction, rendering barricades useless. Such a tactic, aided by the cheap communication devices we import by the shipload, he argues, could be a tempting opportunity for the generals of our larger neighbours.

A separate, key point Raman makes is that the lessons learnt protecting the borders and fighting wars can also be put to use in business. He notes that while former military officers constitute just three per cent of the US's adult male populations, the number of CEOs in S&P companies with an army background is nine per cent. Structured thinking and other such skill sets acquired in military training stay for a lifetime and ensure you do not overlook any element in complicated operations. The "excellent grounding" men get in the forces makes them ideal candidates for taking up roles in administration, HR and man management, operations, security and even wealth management, he says. To support his last mentioned choice, Raman cites the examples of James McKinsey and Sam Walton, both better known for their business minds than for their stints in the army.

Everyman's War packs a wealth of knowledge acquired only because the author was in the right places at the right (wrong?) times. It is gripping as well as thought provoking. Take for instance, the question of whether we are safer today than we were when the Mumbai attacks occurred. Raman's answer is paradoxical – both yes and no. We have indeed made our security stronger, and ourselves safer, since then by spending millions to create an imaginary 'ring of steel'. But wasn't that exactly what the enemy wanted? ◆

NANDAGOPAL RAJAN

The book chronicles how notions of security have changed. It maintains the country alone cannot battle the terrorist threat, but needs each one of us to be vigilant at our own levels



SHEKHAR GHOSH/www.indiatodayimages.com

A Girl's Best Workplace Friend

Women employees in many companies are now assigned a mentor who acts as friend, philosopher and guide. By SHAMNI PANDE

Six years ago, Ritu Mehra, 34, felt she was standing at the crossroads of her career. She worked on the technical side at IT company Pitney Bowes, India, and was well rated by her peers and superiors, but she was not sure whether she should continue in the same department, or switch to the managerial side, where chances of professional advancement were higher. "It was then that a senior director of the company reached out to me," she says. She made Mehra realise that it was not enough to aspire to a managerial position. The right kind of qualifications and knowledge to handle such a job were also essential. "She suggested I pursue some management certification courses," Mehra adds. Once Mehra had done so, the director ensured

Well mentored: Wipro's Malika Kapoor (extreme right) with colleagues. Her mentor's advice helped her greatly

seniors in the company knew about it, with the result that Mehra was included soon after in a global project the company was engaged in.

The director helped Mehra out informally at her own initiative, but increasingly companies are now assigning mentors – senior company staff, who are also usually women – to promising young female employees to guide them correctly on their career paths. Such mentors, who perform this role in addition to their normal duties, are never openly identified – only the company's human resource department and the people being mentored know. Their advice often is by no means extraordinary, but for the one being mentored, it can sometimes be a life changer.

Take the case of Malika Kapoor, 32, who in 2010, was promoted by her company, IT major Wipro, from deputy manager to manager. She should have been thrilled, but she was not. "My job profile as deputy manager required me to deal with a team, which I was good at and enjoyed," she says. "In my new role I discovered, my responsibilities would be such that I would be confined to a single location and working with just one or two people."

With Wipro having a mentoring system in place, she turned to her assigned mentor. "I told her I felt limited," she says. No magic formula was offered. Indeed, Kapoor ultimately took up her new position. But the mentor's simple advice helped her immensely for years later. "She told me to increase my learning and exposure and intensify my engagement with the office," says Kapoor.

Like Wipro, many companies have realised that women employees, especially when young, face problems and dilemmas their male counterparts do not. Some women, unable to cope, even give up working. To prevent this, and thereby retain the gender diversity of their workforce they have striven to achieve, companies have instituted this system of assigning mentors. Women are encouraged to approach their mentors regularly for guidance, which can relate not only to purely professional matters but also personal ones that impinge upon their professional performance.

A classic dilemma many young women face, for instance, is that of motherhood versus career. Having a baby remains the biggest cause of career derailment for women, many of whom stop working to take care of the newborn and find it difficult to return to the workforce when they are ready to do so some years later. The mentor is particularly useful here in helping analyse the pros and cons involved, frequently drawing from her own experience. Kapoor herself sought her mentor's guidance when she wanted to have a second child. Indeed, she is just back from maternity leave and is now part of the talent transformation and training team at Wipro.

Even the women who doggedly continue working cannot give their jobs the single-minded attention their male counterparts can. "Many women are excellent achievers, but often personal concerns tend to overwhelm them," says Sunita Cherian, Vice President, HR, and Head of Gender Diversity, Wipro. "They need to rush home for the sake of a waiting child or something similar." Here too an assigned mentor is a boon. "Providing facilities such as a day care centre close to the workplace or extended maternity leave certainly helps companies retain women," says

Source: Catalyst India WRC

"Due to a dearth of women at the top, the number of mentors available does not match demand"

NINA CHATRATH, Partner, Heidrick & Struggles

Ritu Mehrotra, Vice President, HR and Talent Management at logistics solutions company Bristlecone. "But mentoring is also a critical need that reinforces career ambitions."

Despite the proliferation of women at the workplace in the last few decades, the fact remains that their representation at senior levels is abysmally low. Studies have shown that women in senior positions in India are between three and six per cent, while in board positions they are below five per cent. "Organisations start with the best of intentions when they are recruiting at the entry level," says Shachi Irde, Executive Director, Catalyst India WRC, a global research and advisory body which works with member companies to enable them to expand opportunities for women.

While at the entry level, the number of men and women in many organisations is much the same, the ratio begins to change at middle level and gets completely skewed in favour of men at senior levels. "Companies need to focus on tracking the effectiveness of their programmes which try to retain women," says Irde. She even suggests senior managers be held accountable for fostering gender diversity in their teams.

Mentoring also helps because many women do not, in the normal course, make an issue of the problems they are facing, and also lag behind their male counterparts at networking. "This does not mean they lack either ability or the ambition to excel," says Ruchi Bhalla, Director, HR at Pitney Bowes, India. Having a mentor who articulates their problems – as well as their strengths – in the right quarters can make a big difference.

Infosys is another IT company with a mentoring programme for women employees in place. "It was launched in 2009 and focuses on instilling professional effectiveness, goal clarity and thereby career development," says Srikantan Moorthy, HR Group Head at Infosys. "Mentors work towards fine tuning the women's professional aspirations by sharing knowledge, perspectives and work experiences with them." Citibank India has a Citi Women's Leadership Develo-pment Program where it pairs high performing women with a senior executive to provide career direction and networking opportunities. "There are also different kinds of coaching for women at different points in their careers and lives," says Anuranjita Kumar, Country HR Officer, Citi India.

But mentoring too has its challenges. "Due to a dearth of women at the top, the number of mentors available does not match demand," says Nina Chatrath, Partner, Heidrick and Struggles, an executive search firm.

What does a company gain by promoting gender diversity? Plenty. A series of studies by Catalyst has shown that companies with more women in senior positions, on average, outperform those with few women. Mentoring is thus not just a progressive stance for a company to take, it also makes sound business sense. ◆

Affirmative Action

Pro-women policies at companies

- The Women of **Wipro** (WoW) programme seeks to make Wipro an equal opportunity employer with world-class practices
- **GE** has a network that provides coaching on career paths
- **Intel** has formed a group of senior executives who promote efforts related to retaining women and developing their careers
- **Baxter** provides women employees with leadership skills, technical and functional training, and business knowledge
- **Merck** partners and supports business initiatives and projects relevant to women
- **Citigroup** has a global programme that shares best practices, creates role models, and builds a pipeline of talented women for senior managerial positions
- **Dow** has a network that assists women find mentoring and networking opportunities
- Alchemy, a mentoring programme at **Hindustan Unilever**, develops leaders and builds an inclusive workplace

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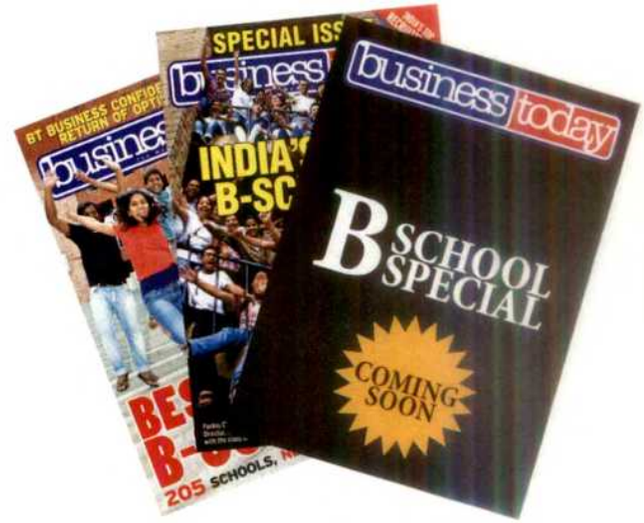
lus: the best one-year programmes ranked!



SPECIAL ISSUE ON SALE FROM
OCTOBER 8, 2013

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People Who Make the Difference

business today
FOR MANAGING TOMORROW

Crankshaft Chieftain

Indian Railways has always imported its crankshafts, but recently for the first time placed an order with an Indian company. The supplier? None other than the **BABA KALYANI**-led Bharat Forge Ltd, which already supplies a range of equipment to major rail networks in the US and Europe. One of the world's largest buyers of equipment, Indian Railways is expected to make investments close to $20 billion over the next seven years and Bharat Forge looks forward to bagging many more orders. Its goal is to become one of the top three railway component suppliers globally. The company is also executing, for the first time in India, a technology-intensive project involving mechanised laying of tracks in the upcoming freight corridor. Formerly an avid motorcycle enthusiast, Kalyani is highly family-oriented and spends most evenings at home, playing with his grandchildren or his pet Great Dane, Kaiser.

VIVAN MEHRA

Baba Kalyani
CMD, Bharat Forge

VIVAN MEHRA/www.indiatodayimages.com

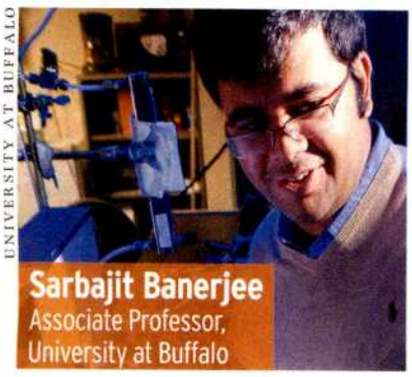
Boom in Rooms

Hyatt was the first foreign hotel chain to set up business in India in 1983, with Hyatt Regency Delhi being its first property. Since then it has grown as a brand and now boasts 17 high end hotels in the country. **THOMAS J. PRITZKER**, Executive Chairman, Hyatt Hotels Corp., who was in India recently, attributes the company's success to its relentless focus on "people". Pritzker, who has visited India 40 times starting 1971, calls himself a passionate India lover. This time, Pritzker flew down his entire board to hold Hyatt's first board meeting in India. He wants the board to "understand and experience" the India market better. "India is a strategic market," he says. It is not for "opportunist investors". Pritzker is all set to bring all seven Hyatt brands to the country by 2015 with the launch of luxury boutique hotels 'Andaz' and Hyatt Place properties in Delhi and Mumbai. Hyatt has a pipeline of projects in 27 Indian cities. Apart from China, India has been one of Hyatt's best performing markets.

MANISHA SINGHAL

Thomas J. Pritzker
Executive Chairman, Hyatt Hotels Corp.

RACHIT GOSWAMI



Sarbajit Banerjee
Associate Professor, University at Buffalo

UNIVERSITY AT BUFFALO

Windows 2.0

Don't be surprised if in a few years from now houses have windows that reflect heat, thereby keeping the rooms inside cool. Thanks to a cutting-edge coating developed by Kolkata-born **SARBAJIT BANERJEE**, 35, Associate Professor at the University at Buffalo, US, this is now possible. This will greatly help power-deficit countries such as India by cutting down the use of air-conditioners, which can account for up to 40 per cent of a city's power demand. "It will take a couple of years to scale production, but we have tied up with some major window manufacturers," says Banerjee.

NANDAGOPAL RAJAN

SHEKHAR GHOSH/www.indiatodayimages.com

Rahul Munjal
MD, Hero Future Energies

Acquiring New Energy

RAHUL MUNJAL was never interested in motorcycles, the Hero Group's flagship business. Instead, the grandson of Brijmohan Lall Munjal, founder of Hero Group, and son of the late Raman Kant Munjal, successfully headed Easy Bill, a bill payments company. Now, with the launch of Hero Future Energies, Munjal is venturing into renewable energy. "Our vision is to revolutionise the way energy is delivered, through a cleaner and more affordable alternative to utility energy," said Munjal in a press statement. The company will focus both on the domestic and international markets. Hero Future Energies has already bagged a pilot project to collaborate with the Rajasthan government to deliver 37.5 MW clean energy to power 70,000 households. It is certainly good news for a power-deficit country like India.

SUNNY SEN

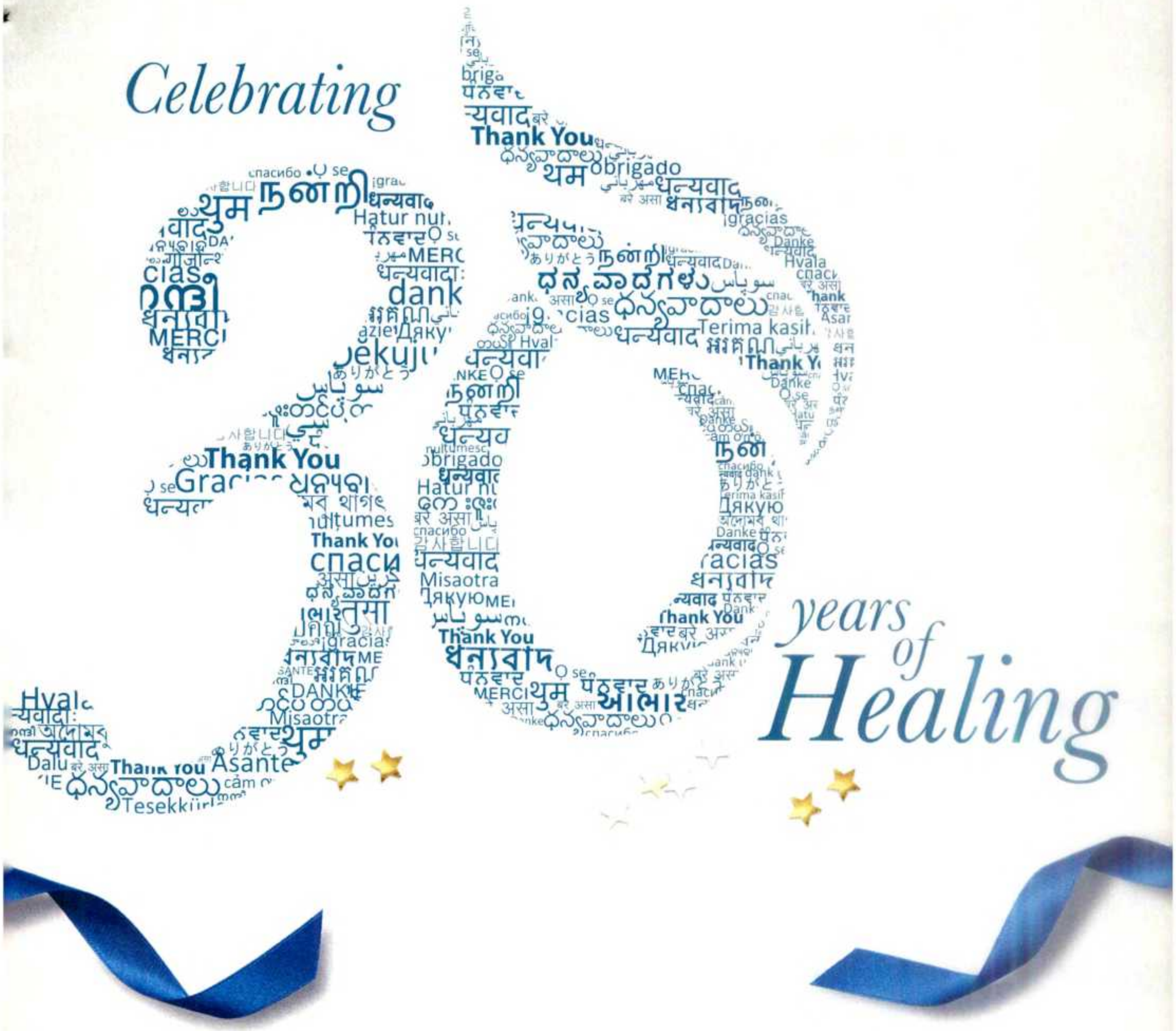
ADITYA KAPOOR

Tara Singh Vachani
CEO, Antara Senior Living

Old to Yield Gold

The idea struck her during a visit to China, while she was still a management trainee with Max India. Even so, **TARA SINGH VACHANI**, the 26-year-old daughter of Analjit Singh, Chairman of healthcare conglomerate Max India, thought about it for two years before taking the plunge. She is now setting up Antara Senior Living, a housing project for affluent senior citizens, turning entrepreneur in her own right. Expected to be complete by 2016, the project, spread over 20 acres, has more than 200 apartments, each costing between ₹1.3 crore and ₹4.8 crore, the smallest with an area of 1,500 sq. ft. Live old, live well.

SUNNY SEN



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Pioneered health checks: 8 million people benefitted

World's busiest solid organ transplant program: 1,200 transplants in a year

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Ratan Tata
Former Chairman, Tata Group

Neither Tired Nor Retired

He retired voluntarily in 2012, having led the Tata Group for 21 years, but **RATAN TATA** continues to be as sought after as before. The Carnegie Endowment for International Peace, a leading US think tank, has just announced Tata's addition to its board of trustees. "Ratan has unparalleled knowledge of the global economy," said Harvey V. Fineberg, Chairman of the think tank's board. "He will be a tremendous asset for Carnegie." Tata is also pursuing his other passion, aviation – he is an advisor to both the joint venture airline the Tatas have formed with AirAsia, Asia's largest budget carrier, as well as the venture with Singapore Airlines. He might no longer be part of a buzzing boardroom, but he sure keeps the buzz alive.

MANISHA SINGHAL

Shifting Focus

KENICHIRO MORI, Olympus Imaging India's Managing Director, wants to shift his company's focus from low-end point-and-shoot cameras to professional, high-end devices. He expects his company's market share, currently at three per cent, to grow to 10 per cent by 2015. He believes, given the kind of customers he is looking for, that online marketing will be his most effective tool for doing so. "In a population of about 1.2 billion, our target is three million. The best way to reach them is the Internet," he says. Mori, 39, who came to India in April last year, also maintains he is "shy". Which camera is his personal favourite? No surprise – it is his own company's newly-launched OM-D E-M1.

ARPITA MUKHERJEE

Kenichiro Mori
MD, Olympus Imaging India

DANESH JASSAWALA

SAURINE DOSHI
Managing Director, A.T. Kearney Ltd

My first role model
My father. He taught me the importance of honesty and character

My first guru
My mother. She is the one who was determined to teach me mathematics

My first job
Flipping burgers at a university cafeteria. Imagine a vegetarian having to learn how to make a "rare" piece of meat. A legacy of the job is that to this day I make a mean guacamole

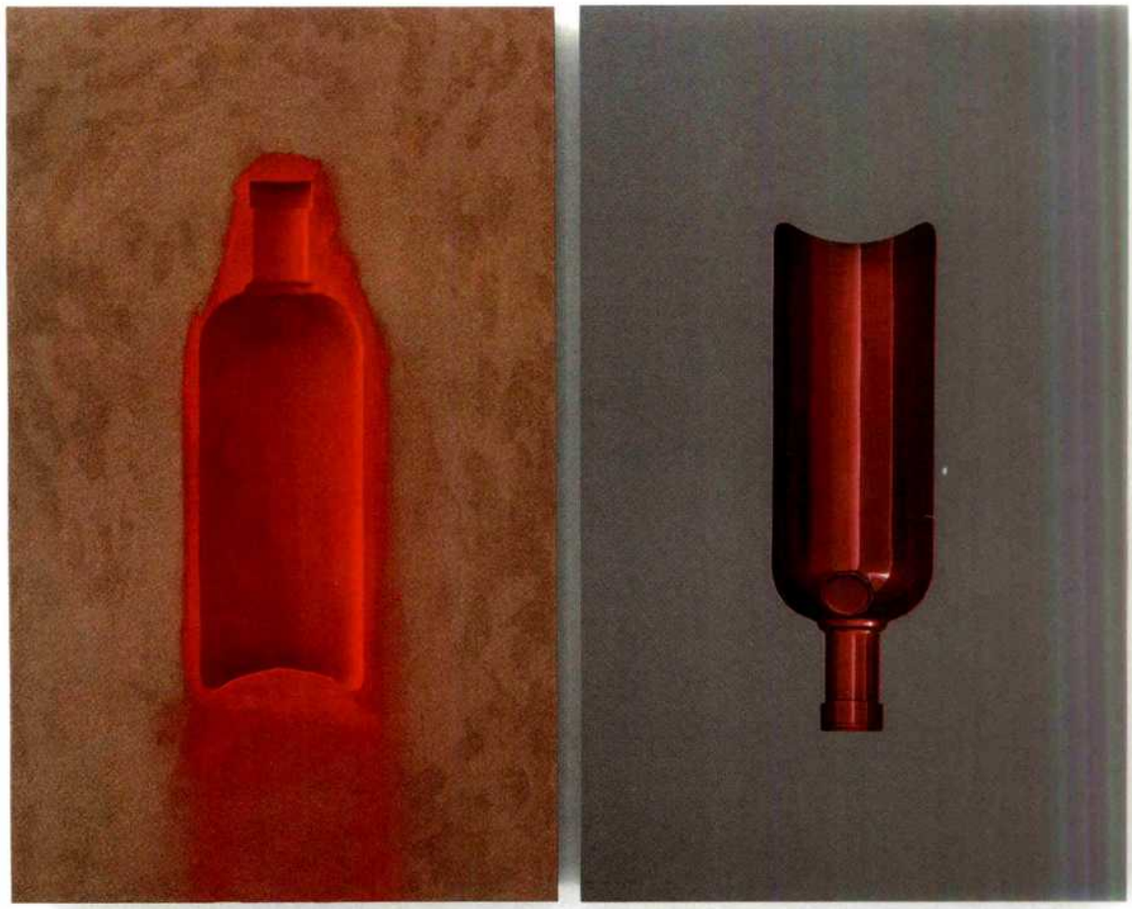
My first boss
My professor at university in the US. I was also his research assistant. My enduring memory is of him driving 40 miles at 1 a.m. to pick me up from the highway when my car broke down in a snowstorm. A good guy

My first promotion
Being promoted from "Engineer" to "Senior Engineer" when I worked for a structural engineering firm in San Francisco

My first disappointment
At 16 I was selected for my college cricket team. I fancied myself an all-rounder and so imagine my disappointment when the team captain told me that I was a "left arm" spinner who would bat at No.11

As told to N. Madhavan

NISHIKANT GAMRE/www.indiatodayimages.com



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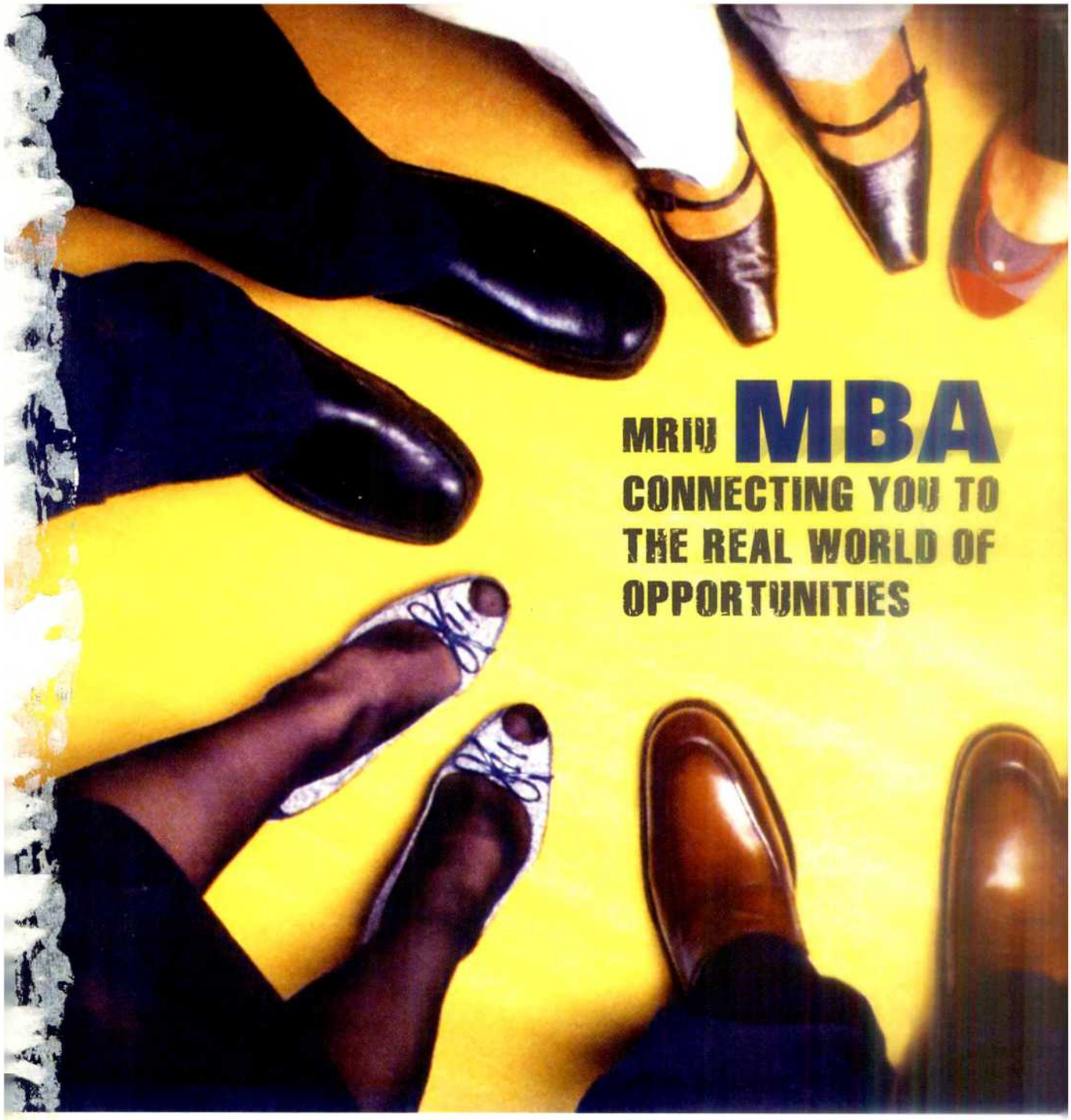

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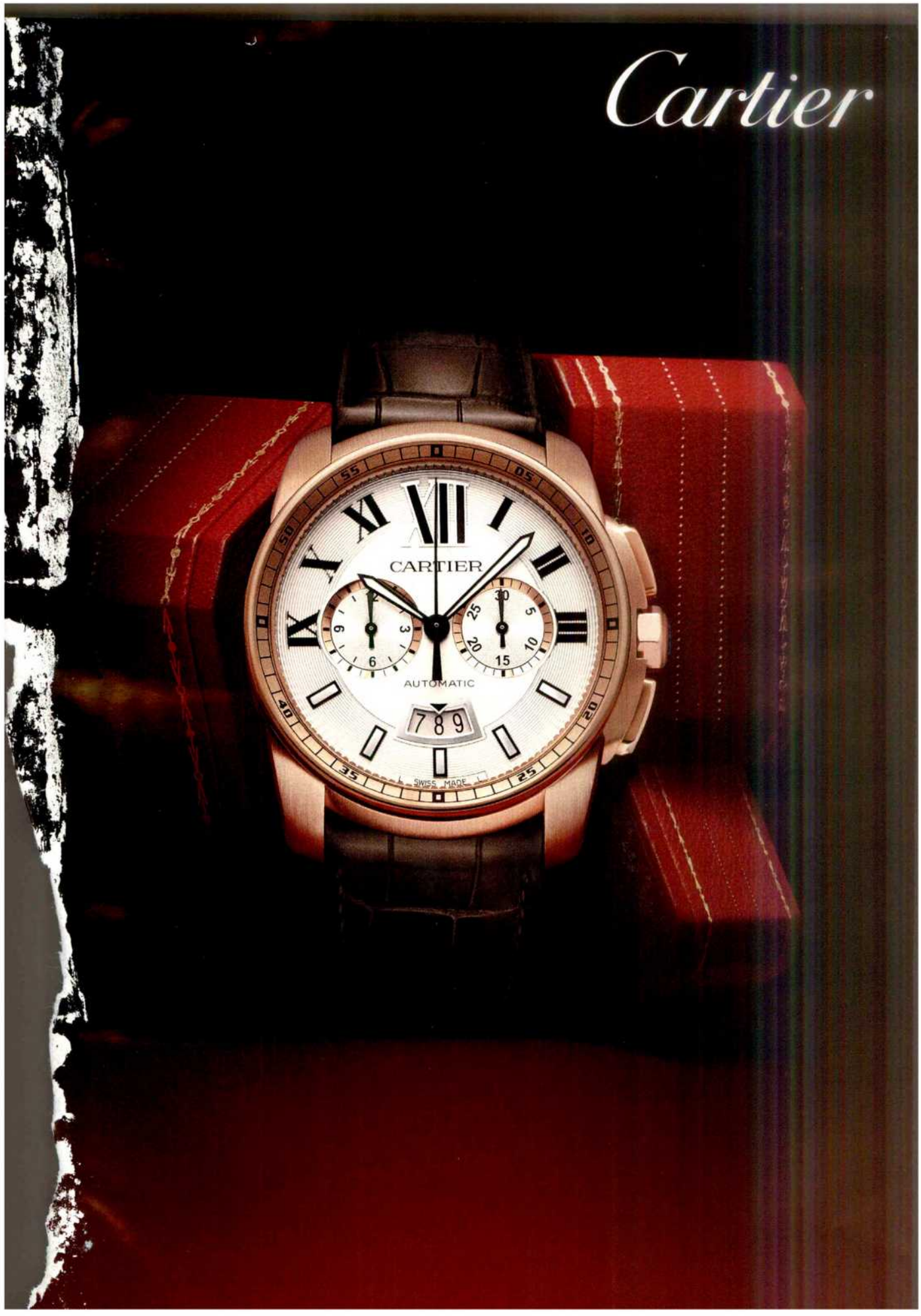
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From the Editor

Although commerce is older even than the thirty pieces of silver that persuaded Judas Iscariot to betray Jesus Christ, it took humans a long time to start to formally teach, and learn, the elements of business. The oldest business school in the world, ESCP Europe, was set up in Paris in 1819, a pipsqueak in comparison with Oxford, where teaching is said to have begun in 1096. Most of us assume that the Indian Institute of Management in Ahmedabad, born 1961, is the oldest in the country. Not so. The oldest "business" school is the Indian Institute of Social Welfare and Business Management in Kolkata. That is not the only gem we uncovered (page 78) in this year's Best B-schools survey, our fourteenth. Each year we strive to improve the survey and make it more robust and it just keeps getting better. The number of schools we have ranked has grown to 213 this year from 205 last year and 50 two years ago. This year we decided to go with a new survey partner – Marketing & Development Research Associates (MDRA). Our B-school surveys are followed very closely by students, faculty, recruiters and HR professionals. I urge you to first read the Methodology on page 120. There you will see that it is actually an amalgam of three different surveys – objective, perception and experiential. Add to it an unprecedented physical audit of data and the first-ever ranking of executive programmes (by Principal Correspondent Arunima Mishra on page 82), and we believe we have an unmatched product that we are all proud of. Other highlights:

- A shooting-from-the-hip investigation of the stasis and complacency that plagues our IIMs, written by a team of reporters led by Senior Editor Shamni Pande and Senior Associate Editor Goutam Das
- That segues into a very candid and refreshing interview (page 56) by Senior Editor N. Madhavan with Dr Ashish Nanda, who was lured from Harvard Law School to be IIM Ahmedabad's new director (he started his job on September 2)
- Assistant Editor Taslima Khan completes the IIM-A picture with a report on its unique incubation centre (page 116)
- Very engrossing stories by Associate Editor E. Kumar Sharma, who lives in the same town as the Indian School of Business, on path-breaking courses offered by B-schools on family-run businesses (page 107) and ethics (page 110)
- An excellent report on schools that teach rural management written by Madhavan (page 92)
- A sobering look at why research chairs at B-schools are going a-begging by Associate Editor Suprotip Ghosh (page 102) – this links back to the story on the problems at IIMs
- Detailed reports on high-achieving schools like the Bharathidasan Institute of Management in Trichy, which leapt from 96 to 32 in the rankings (page 74); Delhi's International Management Institute, which jumped from 35 to 10 (page 66); the T.A. Pai Management Institute in Manipal which vaulted from 45 to 19 (page 70); and Management Development Institute in Gurgaon, which held its No. 8 rank (page 62).

Don't miss the excellent infographics on findings from the survey starting on page 134 by Assistant Art Director Santosh Kushwaha. You will get a great overview of the trends in management education in the lead story (page 48) by Pande, who steered the complex logistics of writing, travelling, research, design, and photography by the *BT* team. She was partnered by Deputy Editor Alokesh Bhattacharyya, who for several months also worked with MDRA on the painstaking survey and the rankings – including going with researchers on data-verification visits. A huge enterprise that could make for a good case study!

This special issue was also the perfect launching pad for our newest initiative and one I believe will become a favourite in B-schools – a once-monthly debate between two students from different schools on a hot business or economy topic. Enjoy the first debate on page 46 and vote for the best comment – there's a prize to be won.

This issue of the magazine is exploding with good stories too numerous to name in this limited space, but I must draw your attention to the latest edition of our bellwether *BT*-C fore Business Confidence Index. No prizes for guessing how sentiment is going – to its lowest since we launched the survey in early 2011. Read Assistant Editor Manu Kaushik's report starting on page 36.

Chaitanya Kalbag

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McCann/GM/10/13

Re: Letters to the Editor

Hidden Assets

Your cover story (*Emerging Companies*, October 13) reveals India's hidden assets. You have worked really hard to pinpoint companies which could be the stars of tomorrow. After going through the *BT*-YES Bank survey, one feels if these people could do it, one could also start one's own business and make a success of it. But there is need for dedicated work with better management style, novel ideas and projects. The survey also reveals some Indian companies' admirable capabilities in research.

Akhilesh Kumar Sah, *Faizabad*

Balancing Act

The article on the monetary policy of RBI Governor Raghuram Rajan was thought-provoking. He has opted for "Safety First" (October 13) and engaged in a balancing act. Though he raised the repo rate to 7.5 per cent, he reduced the MSF rate from 10.25 per cent to 9.5 per cent. As this time since we have had a good monsoon, food and vegetable prices are likely to come down. Also, with the government's policy initiatives, there is hope for growth in the manufacturing sector.

Jacob Sahayam, *Thiruvananthapuram*

Sales Pitch

It appears your correspondent has made a sales pitch for Sterling Resorts (*Holiday Season Again*, October 13). I became its member in 1997 with time share at Coorg. The resort is still not ready after so many years, but I'm forced to pay annual amenity charges. I tried booking at its Goa resort exactly 90 days before, as required by the company, but I was denied a booking. Sterling Resorts has to first win back the confidence of its earlier members who have lost so many years of holidays.

Dr S. Tekchandani, *On e-mail*

Celebrating Women

The last two issues of *Business Today* have been a tribute to womanhood. Having aptly understood the challenges that women encounter, *BT* has meticulously worked on each of the Powerful Women's profiles, bringing out the challenges they faced, the choices they embraced and the changes they made. Most importantly, the tactics each of the women adopted to break the glass ceiling and scale newer heights have been highlighted. I salute these warriors for winning against all odds and zealously ironing out the differences that are omnipresent in many workplaces. Kudos to *BT* for showcasing their achievements.

Jennifer Difiva. E., *On e-mail*

Correction

The person in the picture alongside the story *Path to Success* (October 13, Pages 70-71) was incorrectly identified. The picture is that of **Om P. Manchanda**, CEO, Dr Lal PathLabs. We regret the error.

Send all your comments to editor.bt@intoday.com

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ADB slashes Asia growth forecast to six per cent, as India, China slow
Does this create opportunity for property buyers/ investors? - **Powered Buyers**

Google Streetview comes to India
Cameras are saved and they can close lids on lenses. - **Saan Santanu**

IRCTC earns ₹29 crore from food business in 2012/13
They should serve hygienic food, and make good tea/coffee spots rather than allowing the *chaaiwalas* - who mostly use toilet water - to prepare beverages. - **Bala GS**

Raghuram Rajan needs to walk a long way before he can pare interest rates
Will Rajan become a miracle for the Indian economy, or a disaster? - **J. Tamilselvan**

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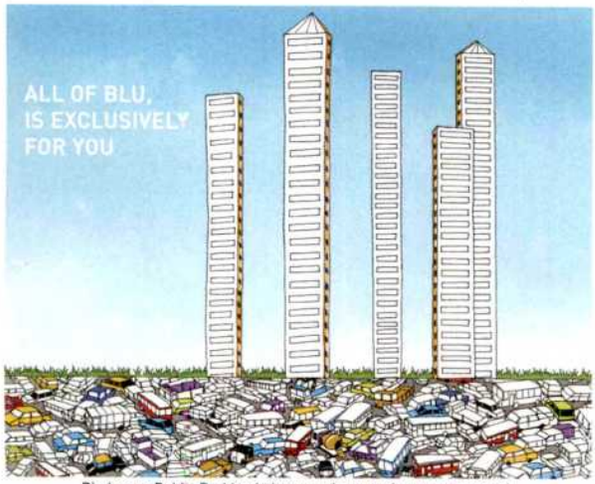

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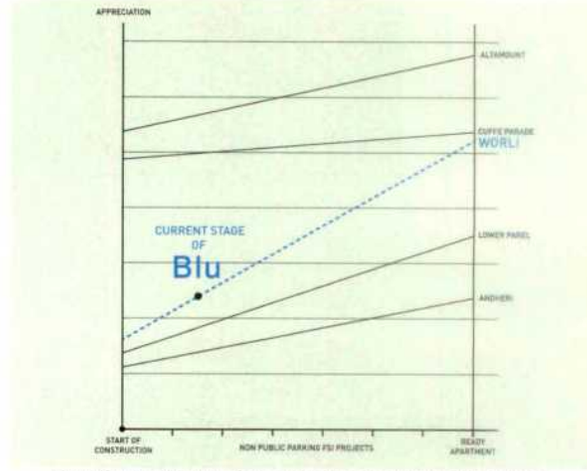

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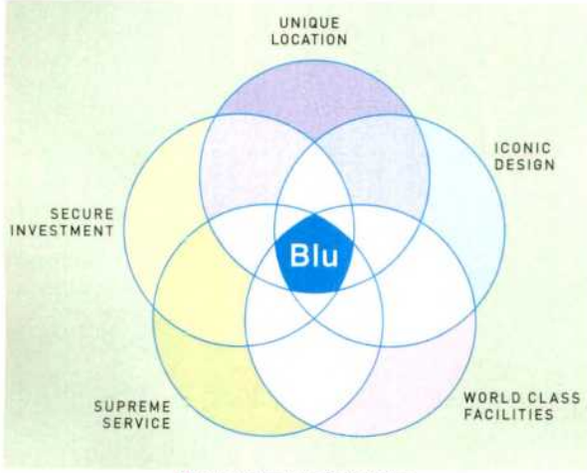

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CONTENTS

COVER BY ANAND SINHA
PHOTOGRAPH BY SHEKHAR GHOSH
COVER IMAGE:STUDENTS OF IMI, DELHI

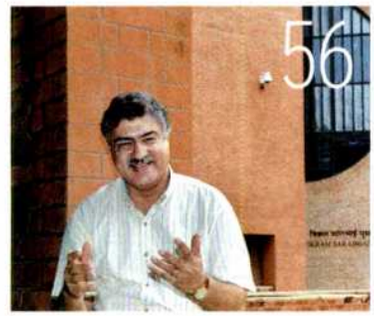
OCTOBER/27/2013
VOLUME 22/NUMBER 22

COVER FEATURE

INDIA'S BEST B-SCHOOLS

48 | The slowdown's bite is apparent, but the hunger for a seat in any of the top B-schools remains as strong as ever. Presenting the 2013 edition of *Business Today*'s survey of India's top B-schools, in partnership with MDRA

56 | Interview with Ashish Nanda, Director, IIM-A: **"The proliferation of IIMs may have created lots of sub-scale institutions"**



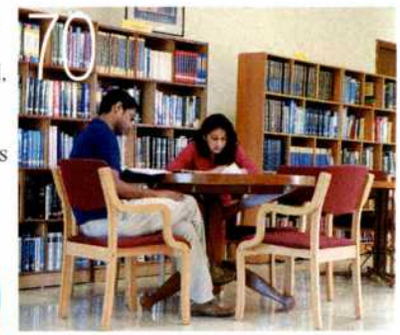
62 | Innovating to Conquer
Flexibility and out-of-the-box thinking are key to the success of Management Development Institute, Gurgaon

66 | Back in the Reckoning
IMI has risen in this year's rankings as D-G Pritam Singh pushes for change at the institute

66

70 | Great Leap Upward
TAPMI, Manipal, has risen dramatically in the rankings this year, thanks to its persistent emphasis on quality

70



74 | Lean and Mean
Bharathidasan Institute of Management believes in eschewing frills and keeping close ties with industry

78 | Oldest, Yet Young
IISWBM, India's first business management school, continues to innovate and excel

78

82 | B-School Interlude
Fresh MBAs have long been popular in India, but more and more mid-career executives are going back to school

82

92 | **Master's in Bharat Administration**
India's rural sector plays a significant role in its economy, but the country is not producing enough managers to manage it

96 | The Writing on the Wall
The Indian Institute of Management may still be India's best, but they badly need reforms to stay relevant and compete globally

102 | Empty Chairs
Research into business holds little appeal. B-schools are struggling to find suitable people to occupy research chairs

107 | All for the Family
Customised courses are addressing growing demand from family-run businesses

110 | The Difficulty of Being Good
Leading B-schools are using tools such as role-playing in the classroom to prepare students for the ethical dilemmas of professional life

116 | Start-up Factory No.1
IIM-A's incubation centre stands out for its sector-specific focus and readiness to acquire equity in the start-ups it backs

120 | Methodology

126 | Ranking

134 | Up, Close and Personal
The *BT*-MDRA survey provides a wealth of insight into the functioning of B-schools, identifies the champions of each region, and highlights the rankings of different stakeholders

ONLINE

Hot Pursuit

Despite the downturn, the rush for a seat in any of the top B-schools remains as strong as ever. *Business Today*'s 2013 ranking of the best B-schools, along with the latest trends in business education.
businesstoday.in/bschools2013

'There Is Always Resistance to Change'

Samir Barua, former director, IIM-A discusses the state of the IIMs with **Goutam Das.**
businesstoday.in/bschools2013-samirbarua

PERSPECTIVE

The Business of Telangana

The Cabinet has cleared the creation of Telangana state. E. Kumar Sharma. discusses its implications for industry in Andhra Pradesh.
businesstoday.in/telangana-business

No Problem, As Yet

Goutam Das on why the US shutdown will not immediately impact Indian IT.
businesstoday.in/usshutdown-it

Turning the Corner

Latest data suggest the economic situation may be improving, says Shweta Punj.
businesstoday.in/economy-up

High Hopes

Malaysian Airlines remains bullish on the Indian market, says Manisha Singhal.
businesstoday.in/malaysian-india

BLOG

Highly Mobile

Mobilewallah crunches apps use data from mobile to study consumer behaviour, says **Taslima Khan.**
businesstoday.in/startuptoday

CONTENTS

UPFRONT

12 | **Quick takes on major events**

FOCUS

14 | **Why Raghuram Rajan Ranked Gujarat Low**
His report on states lacks rigour and is flawed, says Bibek Debroy

28 | **Graphiti: Scores Even**

FEATURES

32 | **BlackBerry's White Knight**
Who is Prem Watsa, the man making a big bet on BlackBerry?

36 | **Plumbing New Depths**
Business confidence slips further as the central bank gets tough on interest rates, finds the latest BT-C *fore* Survey

COLUMN
44 | **Chaitanya Kalbag's** analysis of the cross currents of economics and politics in India today

46 | **B-school debate: Cost-cutting can beat a slowdown**

138

138 | **Chindian Cheer**
Chinese telecom giant Huawei's Bangalore research centre is proving a crucial resource in its global telecom battle

EVENT
144 | **Toasting the Future**
The first *BT*-YES Bank Emerging Companies Excellence Awards 2013 crowns the mid-sized companies that are fast emerging

148 | **Home's Best**
CEOs attending the *BT* breakfast meet in Mumbai agreed India was a better place to do business in than overseas

156

156 | ***Case Study:*** **Success of Renault Duster**

Find the Right Job on Page:180-183
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172

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172 | **Comfort Zone**
The recliner market in India is tiny compared to the West, but it is growing. All you ever wanted to know about recliners

RIGHT CLICK
176 | **Tech-savvy Toddlers**
There are a host of apps even for very young children, but their use should be monitored

BOOKEND
178 | **Lunch With the Hefty**
Compilation of 52 cleverly-written Lunch with the *Financial Times* profiles promises to tickle your brain

184 | **PEOPLEBUSINESS**

LEADERSPEAK
190 | **Sudipta Sen**
CEO & MD, SAS Institute (India)

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Fodder for Thought: The ₹950-crore fodder scam spelt a serious setback to the former Bihar chief minister Lalu Prasad Yadav. He came under the ambit of the Supreme Court judgement on disqualifying lawmakers convicted for over two years. The Ranchi court convicted all the 45 accused including former CM Jagannath Mishra in the 17-year old case.

Corporate

The Central Bureau of Investigation has registered a case against former telecom minister Dayanidhi Maran and officials of Bharat Sanchar Nigam Ltd for allegedly allotting more than 300 high-speed telephone lines to his residence in Chennai. These were extended to Sun TV, owned by his brother Kalanithi Maran. While the arrangement benefited Sun TV, it caused a loss of ₹440 crore to BSNL and the exchequer.

High interest rates and rising fuel prices are keeping consumers away from auto market this festival season. Maruti Suzuki, Hyundai and Toyota reported flat sales during September. Mahindra and Mahindra's sales fell by over 10 per cent in the same month. Tata Motors's SUV and car sales slumped a whopping 40.5 per cent during September. Some selected models such as Ford EcoSport and Honda Amaze are beating the trend, registering double-digit growth rates.

The HSBC India Manufacturing Purchasing Managers' Index stood at 49.6 in September. This compares with 48.5 in August, but remained below the crucial 50 mark for the second consecutive month.

In the latest instance of **Nokia's** tiff with the income-tax department, the Delhi High Court has restrained the handset maker from selling or transferring its ownership rights in India relating to movable and immovable assets. The I-T department ordered freezing of the company's 15 bank accounts and asked the Finnish major to inform the assessing officer two days in advance before repatriating any money overseas.

The economic offences wing of the Mumbai police raided the offices and residences of the top brass of the National Spot Exchange Ltd. It also froze 58 bank accounts of the crippled exchange. The Central Bureau of Investigation started an inquiry into alleged irregularities and duping of customers by NSEL following complaints from investors. NSEL is promoted by Jignesh Shah-led Financial Technologies Ltd.

The Asian Development Bank cut its economic growth forecast for developing Asia, citing weakness in the region's two largest economies – China and India – and jitters over plans to scale back US stimulus that destabilised financial markets. The region's emerging economies are expected to grow six per cent this year, down from 6.6 per cent predicted in April. The bank cut India's growth forecast to 4.7 per cent from six per cent.

Apple, whose brand value is pegged at $98.3 billion, has dethroned Coca-Cola to become the most valuable brand in the world, according to the latest Interbrand report. Google ($93 billion) has taken the second place, pushing Coca-Cola ($79 billion) to the third spot.

Economy

India's current account deficit, or CAD, in April-June widened to 4.9 per cent of gross domestic product. High imports of gold and oil led to a worsening of the trade deficit, resulting in CAD jumping to $21.8 billion in the latest quarter from $16.9 billion in the corresponding quarter of the previous financial year. The government aims to bring down CAD to 3.7 per cent, or $70 billion, in 2013/14, from 4.8 per cent, or $88.2 billion, in 2012/13.

The finance ministry has started preparations for Budget 2014/15. With general elections scheduled to be held by May next year, there will only be an interim Budget. The new government will present the final Budget.

The Supreme Court has barred clinical trials for new drugs till a monitoring mechanism is put in place to protect the lives of people on which the drugs are tested.

Mumbai has been named the world's second-most honest city, according to a survey of 16 cities worldwide by *Reader's Digest* magazine. Finnish capital Helsinki bagged the top spot for the world's most honest city, while Lisbon, the capital of Portugal, proved to be the least honest. The survey put hundreds of people to test in four continents to find out just how honest they were by dropping wallets and seeing how many would be returned.

3.7%

Growth of the core sector in August, a seven-month high. This takes the overall growth in April-August this year to 2.3 per cent, compared with 6.3 per cent in the corresponding period last financial year.

$19 million

Estimated average spending by companies across the globe, including India, on social media this year, according to a global study by information technology major Tata Consulatancy Services. This will rise to $24 million (about ₹150 crore) by 2015. The report explores how 11 global consumer industries and large firms in the four largest economic regions are using social media.

Markets

Rising inflation, fewer employment avenues and dwindling earnings are taking a toll on the spending capacity in India. Over 72 per cent respondents from middle and lower middle income families would be forced to slash their Diwali expenditure by 40 per cent and on average spend nearly 25 per cent of their monthly salary on Diwali, according to a survey by Assocham.

Analysts believe the shutdown of the US government would have limited impact in sectors such as IT or tourism that are dependent on Visa clearances. **All eyes are on October 17 when the US government would hit its debt ceiling of $16.7 trillion.**

Coming Up

- The Department of Telecom is likely to conduct the third round of spectrum auction by January and expects to garner a minimum revenue of about ₹11,000 crore this financial year, Telecom Secretary M.F. Farooqui said.

- The Insurance Regulatory and Development Authority has extended the deadline for phasing out old products in the traditional segment to December 31. The earlier deadline was October 1. The sale of highest net asset value products and index-linked products has been banned from October 1.

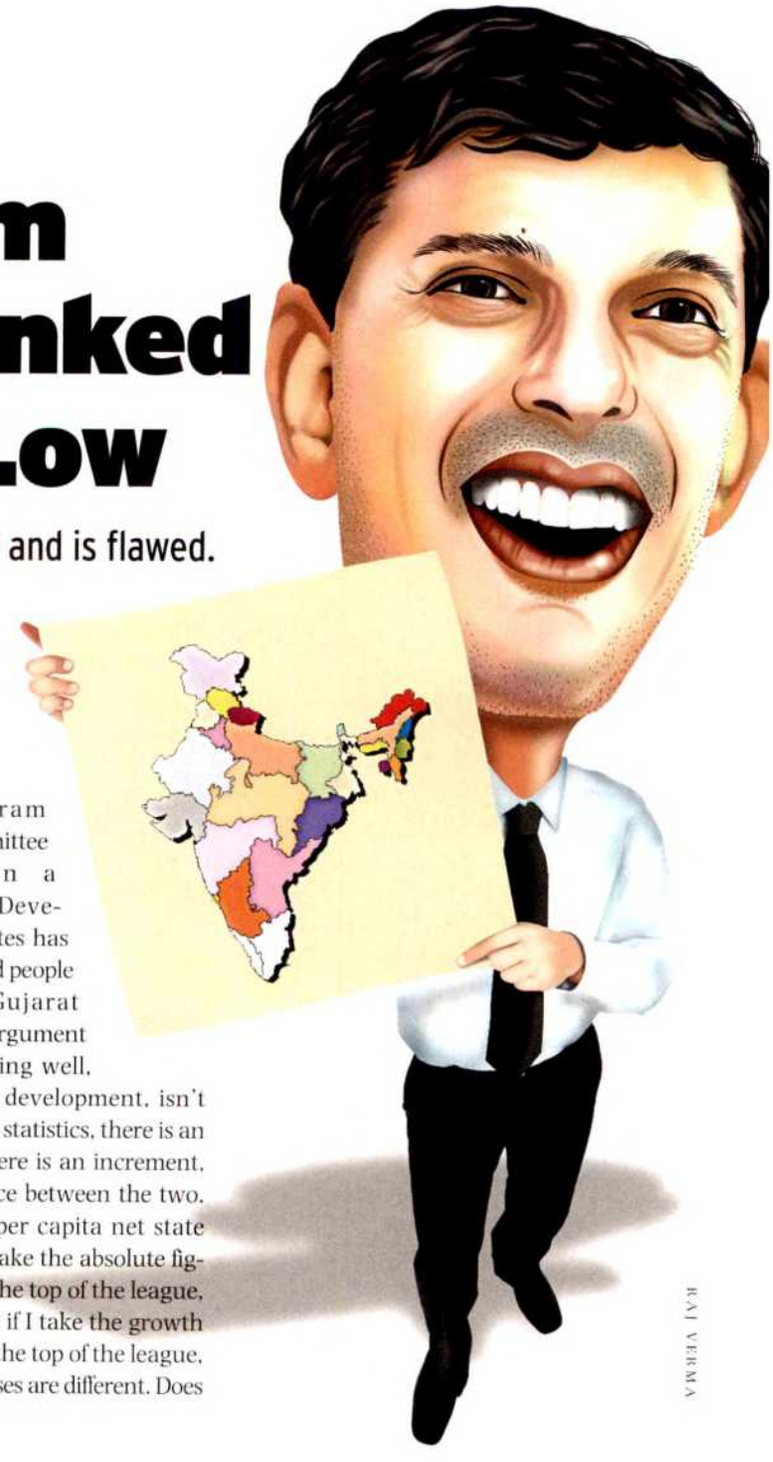
FOCUS

18 Hard Selling Modi
22 Video On The Go
28 UPA Vs NDA: Scores Even

Why Raghuram Rajan Ranked Gujarat Low

His report on states lacks rigour and is flawed.

By BIBEK DEBROY



RAJ VERMA

12

Gujarat's rank among Indian states in terms of development, according to the Rajan panel

The Raghuram Rajan Committee Report on a Composite Development Index for States has just been published and people have commented Gujarat doesn't do well. The argument about Gujarat not doing well, especially on human development, isn't new. When it comes to statistics, there is an absolute figure and there is an increment, and there is a difference between the two. Take something like per capita net state domestic product. If I take the absolute figure, Punjab will be at the top of the league, far ahead of Bihar. But if I take the growth figure, Bihar will be at the top of the league, far ahead of Punjab. Bases are different. Does

IS THERE ANY NEAT WAY TO FIGURE OUT WHY GUJARAT DOES RELATIVELY BADLY IN THE RAGHURAM RAJAN REPORT? NOT REALLY, BECAUSE THE REPORT DOESN'T GIVE RAW DATA. IN SUM, THIS ENTIRE REPORT IS RATHER CAVALIER IN APPROACH

that mean Punjab is doing well or that Bihar is doing badly? I think not. Similarly, I don't think the Gujarat story was ever about the base. It was about the improvement. Let's take an illustration. The all-India literacy rate was 52.2 per cent in 1991, 65.4 per cent in 2001 and 74 per cent in 2011. Gujarat's literacy rate was 61.2 per cent in 1991, 69.1 per cent in 2001 and 79.3 per cent in 2011.

In percentage point terms, the all-India literacy rate improved more than Gujarat's between 1991 and 2001, but less than Gujarat's between 2001 and 2011. It is the same pattern with female literacy. Or take something like the drop-out rates in primary education in Gujarat. For Standards I to V, it was 20.93 per cent in 2000/01 and 2.07 per cent in 2011/12.

As a final example, let's take the sex ratio. The all-India child sex ratio (0-6 years) was 945 in 1991, 927 in 2001 and 919 in 2011. The Gujarat child sex ratio was 928 in 1991, 883 in 2001 and 890 in 2011. Between 2001 and 2011, the all-India child sex ratio worsened, while that in Gujarat improved marginally. However, 890 is still bad.

If one is interested in the impact of government policies, sex ratio at birth is an alternative indicator to child sex ratio. For all-India, this was 894 in 2001 and 906 in 2011. For Gujarat, it was 837 in 2001 and 909 in 2011. I am inclined to interpret this improvement as the positive impact of policies. I can multiply examples across indicators, but it boils down to an absolute versus increment issue, plus a time-line problem. Most human development rankings use old data. The last health survey, for instance, was in 2005/06. It is worth remembering this.

Let's turn now to the Raghuram Rajan committee. In any inter-state ranking, you have to do the following:

(a) Identify the variables – often paucity of data prevents you from including variables you might otherwise have wished to include. Environment is a good example of that, as is morbidity.

(b) Figure out a method of normalisation. To take an example, there are large states and small ones. To make a comparison possible between large states and small ones, you can divide the variable by population or by geographical area. That is known as normalisation.

(c) Assign weights to the identified variables.

(d) Decide on a method of aggregation.

These are serious issues. Any tinkering with these changes the value of the index and the consequent ranking. Therefore, you need to give justifications for the choices you make from (a) to (d) and play around with some kind of simulation exercise, to check how robust your index values are.

The Rajan committee accepted 10 clusters of variables: (1) income (2) education (3) health (4) household amenities index (5) poverty ratio (6) female literacy rate (7) percentage of Scheduled Caste/Scheduled Tribe (SC/ST) population (8) urbanisation rate (9) financial inclusion and (10) connectivity index. Perhaps these are the variables to include, perhaps not. Why was the exercise carried out? To ensure that citizens throughout the country have access to the same quality of public goods and services. In that case, if there are states where a substantial segment of the population lives in villages that have population sizes less than 500, and if there is hilly and difficult terrain too, the costs of delivery will be higher. So, should that not have been a criterion too? In contrast, is SC/ST categorisation per se an indicator of backwardness? There is some research for SC populations, which show that if you control for other factors, being SC per se is not an inherent disadvantage. Should the female literacy rate have been made a criterion or the female work participation rate? The monthly per capita consumption expenditure was taken as a surrogate indicator of income. Should that have been taken or a specific component of that, such as private consumption expenditure on non-food items, or on education and health?

What about use of LPG? On connectivity, one would have thought pucca roads was a very good indicator. In financial inclusion, why only banks? Why not post offices? What about the number of policemen? I am not suggesting that one or the other of these variables should be taken, or that the cluster of variables accepted by the com-

NEW THINKING
Key proposals of the Raghuram Rajan panel report

End the **'special category' criteria** which provides additional assistance to poorer states

Adopt a new methodology for devolving funds on states based on a **'multi dimensional index (MDI)'**

Split states into three categories – **least developed, less developed** and **relatively developed** – depending on their MDI scores

Give each state a **basic fixed allocation** and **an additional allocation** depending on its development needs

mittee should have been rejected. I am making the point that there should be some discussion for acceptance and rejection. Has the committee given any justification for its choice? Not really.

Consider another point. Growth is an increment. For the other indicators, one can either take increments, or one can take the absolute value. To take an example, I can consider the infant mortality rate, or I can take the improvement in the infant mortality rate. There will be a difference in the rankings depending on what I do. Yes, incremental improvements will eventually affect the base. But should I compare increment (growth) with increment or growth with the base? I am making the point that there are value judgments involved in such exercises, so one needs to be careful. Of those 10 clusters of variables, notice that nine can improve (or deteriorate) over time. But the percentage of SC/STs is not a variable of that nature. A state is stuck with the number of SC/STs it has.

Consider now the data sources. Take education. The data comes from the National Sample Survey Office (NSSO). The point is that large-size NSSO sample surveys occur typically at intervals of five years. Should one base identification on data that will become available after five years? For school education, the committee could have got a decent set of data, every year, from the district information system for education. In addition, data on several variables come from the census. That means data will only be available after 10 years.

The choice that really puzzled me was infant mortality rate (IMR), the only indicator for health. It puzzled me because the last health survey was in 2005/06. I looked up the data source and it says 'Sample Registration System Bulletin, October 2012'. That's fine. SRS Bulletins do have IMR data for states. But these are estimates. It may be fine to use estimates. However, academic rigour requires that it be clearly stated these are estimates, not actuals based on surveys. I don't find that mentioned anywhere in the report. What about normalisation? It's by no means obvious that normalisation by population is necessarily superior to normalisation by geographical area. On weights, PCA (principal components analysis) is superior because the weighting system is generated from the exercise. We have been told equal weights have been used, because those are easier to understand. I don't think facility of understanding should have been a criterion. Assuming it was a criterion, the present exercise isn't particularly easy to understand. It smacks of arbitrariness and subjectivity.

IT MAY BE FINE TO USE ESTIMATES. HOWEVER, ACADEMIC RIGOUR REQUIRES THAT IT BE CLEARLY STATED THESE ARE ESTIMATES, NOT ACTUALS BASED ON SURVEYS. I DON'T FIND THAT MENTIONED ANYWHERE IN THE REPORT

Having said this, is there any neat way to figure out why Gujarat does relatively badly in the Raghuram Rajan report? Not really, because the report doesn't give raw data. In sum, this entire report is rather cavalier in approach. ◆

The author is Professor, Centre for Policy Research

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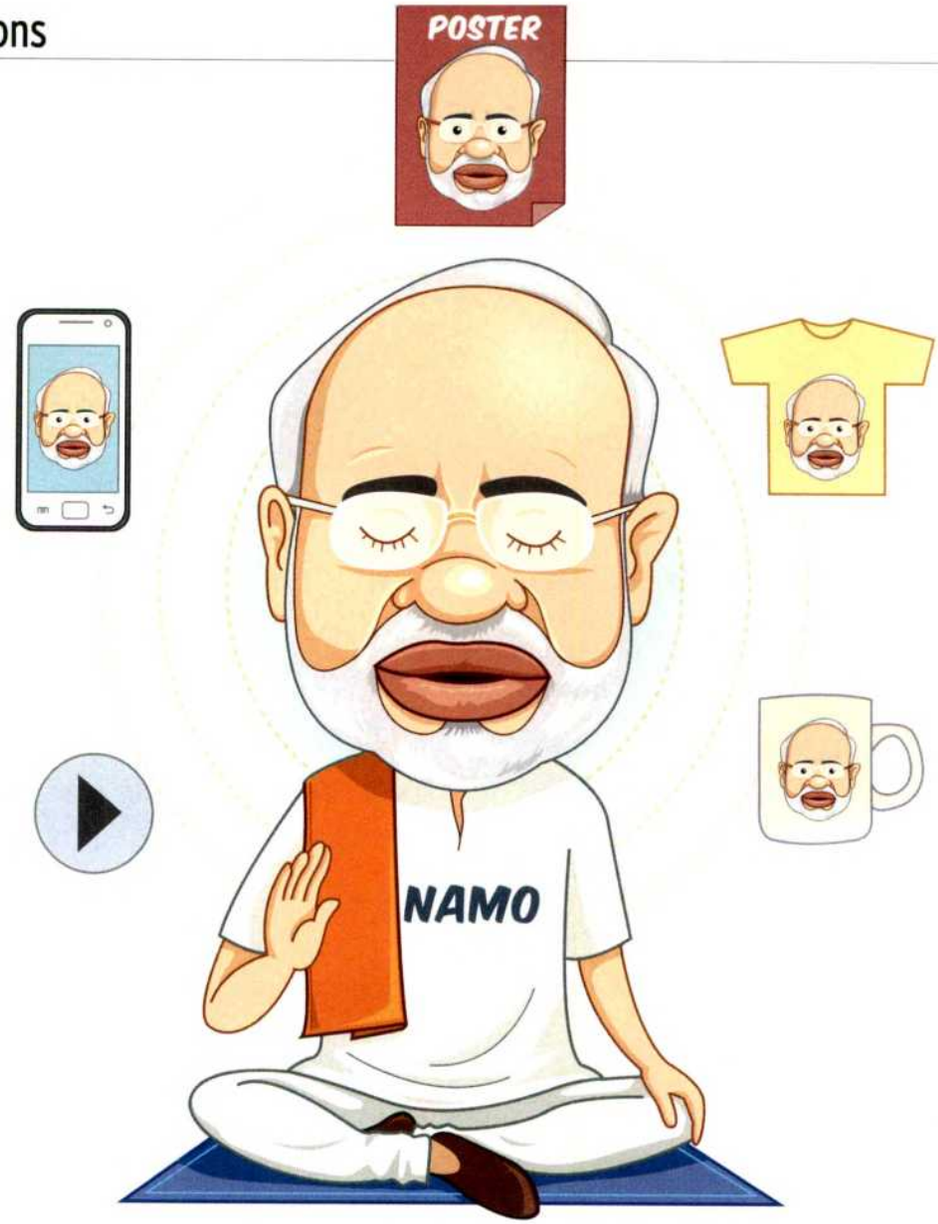

SANTOSH

IN A GAME CALLED MODI RUN, SIMILAR TO TEMPLE RUN, HE PASSES THROUGH STATES, COLLECTS VOTES AND FINALLY BECOMES PRIME MINISTER

Race Course Run

A NaMo smartphone, NaMo apps and games are boosting the BJP prime ministerial candidate's campaign.

By KAAVYA CHANDRASEKARAN

Forget old-fashioned posters. The real game-changer in Narendra Modi's election campaign may well be mobile apps. As the Bharatiya Janata Party's (BJP) prime ministerial candidate cosies up to voters, the political battleground isn't just littered with typical paraphernalia such as trinkets, masks and apparel with Modi's name or face on them. India's digerati has also developed a host of innovative high-tech Modi-related products such as a NaMo smartphone, Modi-related phone apps, Modi games and even Modi ring tones.

Modi himself has been using technology pretty effectively for some time. He's a prolific tweeter with 2.48 million followers on Twitter and used 3D technology to appear at more than one political rally simultaneously during assembly elections last year. But the apps and games are not developed by the BJP or Modi's campaign team. China-based Smart Namo HK Ltd, for example, has launched an

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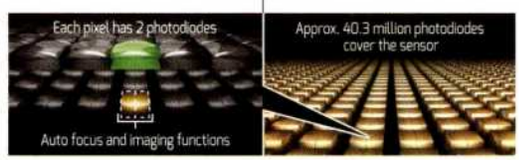

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Android smartphone called Smart Namo, short for Narendra Modi as well as Next-generation Android Mobile Odyssey. The company's CEO, Ammeet Desai, says the phone will be preloaded with Modi-related apps that contain videos, quotes, wallpaper and news. It's a new product that seeks to support Modi's campaign. Smart Namo has shipped 12,000 phones so far and is in the process of sending another 35,000 pieces. "In China, we see many companies come out with commemorative products such as watches, memorabilia of national leaders. We wanted to be supportive to the growth model campaign of Narendra Modi, as we are from Gujarat," Desai says in an email.

The content of the apps and games is mostly political. The Android platform has more than 25 Modi-related apps with everything from his autobiography and videos of his speeches to news updates. Modi's official app is divided into sections including news, speeches and his biography while NaMo's Pocket Book is another app with Modi's speeches.

Apart from apps, the Google Play store also has games based on the NaMo theme. Super Namo challenges players to survive through the ups and down of politics. In another game called Modi Run, similar to the mega-hit Temple Run, Modi passes through states, collects votes and finally becomes prime minister. "We felt Modi is popular among our target users in India and would get positive feedback. It's purely business and not done as a political statement," said Kumar Mettu, CEO of US-based Dexati which developed the game. "With the huge popularity of Modi among youngsters, we felt this game will attract a good number of users."

The BJP has also dipped into digital campaigning. It is reaching out to people who only use feature phones as well. Arvind Gupta, head of the BJP's national IT cell, says the party's communication strategy is "platform agnostic". He said more than 200,000 feature phone users have called to listen in to Modi's speeches live and most of them also receive his tweets via SMSes. "We are reaching out to people in the best manner, and giving it to them in a way that they consume information," he said.

Some analysts are sceptical about using mobile phones for political campaigns. "Mobile penetration is high but the penetration of his message isn't. A construction worker has a phone for communication, not to listen to his political message," says Achyut Yagnik, an Ahmedabad-based political scientist and founder secretary of The Center for Social Knowledge and Action. "The rural and urban poor are not touched by his gimmicks."

Bhagat Singh Kranti Sena, a Delhi-based group, has launched a "Modi-fying India" campaign with Modi T-shirts and coffee mugs. "We have sold approximately 3,500 T shirts so far," said Tajinder Pal Singh Bagga, convenor of BSKS. Sources say the party campaign plans to launch a range of Modi merchandise including his signature half-sleeved kurta. But the party declined comment. "The strategy is not to tell anything to the press," says BJP spokesperson Prakash Javadekar. ◆

SOME ANALYSTS ARE SCEPTICAL ABOUT USING MOBILE PHONES FOR POLITICAL CAMPAIGNS

BUILDING THE BRAND

Modi Run, online game akin to Temple Run

LAUNCH: July 28

45,000

downloads

Smart Namo, smartphone

LAUNCH: October 2

12,000

shipped

PHONE SERVICE TO HEAR MODI'S SPEECHES LIVE

LAUNCH: May 21

200,000

phone users

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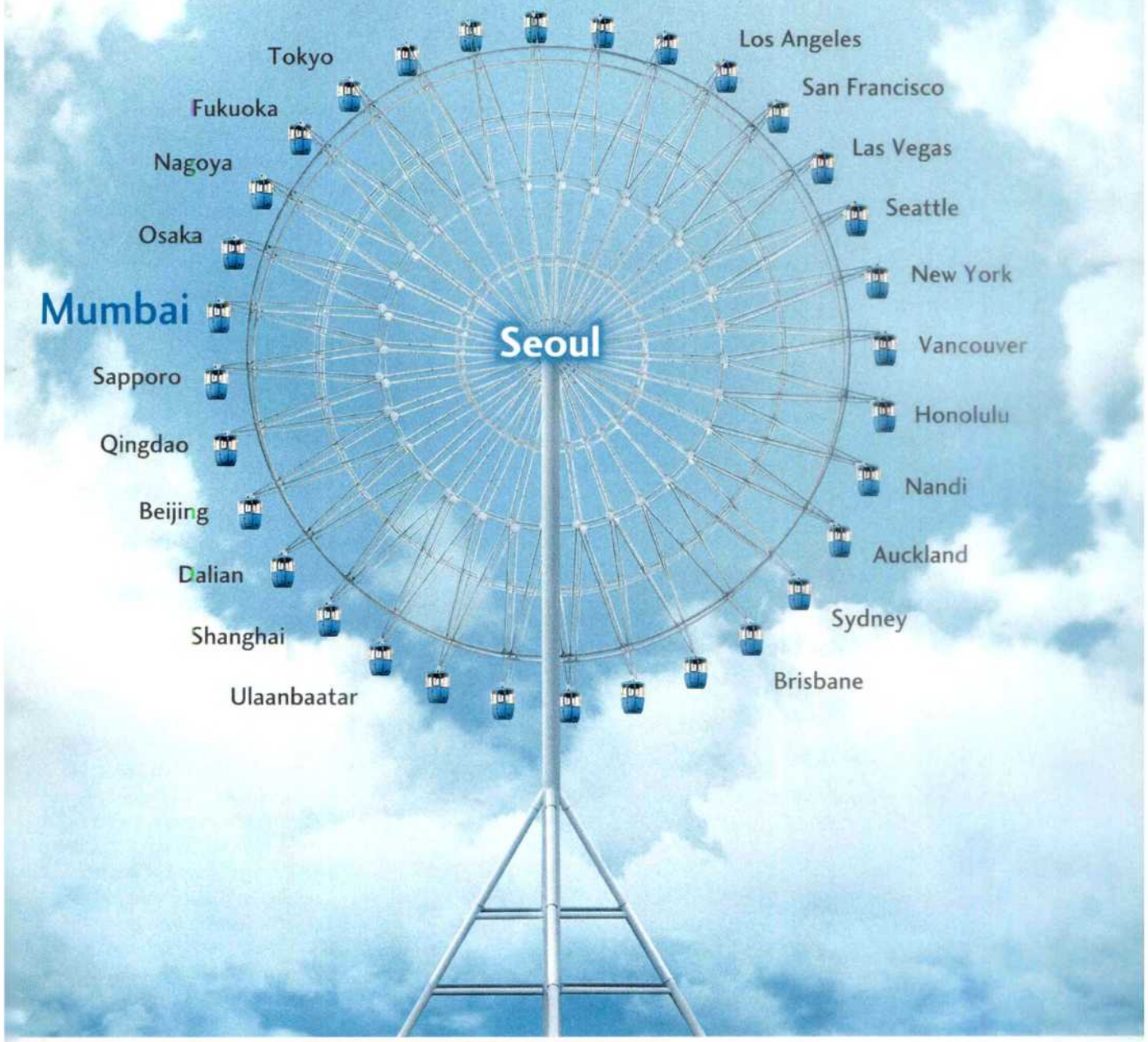

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Picture This

Online and mobile video content is fast emerging as a lucrative source of revenue for Indian broadcasters. By AJITA SHASHIDHAR

The reality show *Bigg Boss*, the Indian version of the international reality format *Big Brother*, is unquestionably the most popular show for Colors, the Hindi general entertainment channel (GEC) of Viacom 18. The viewership of Colors peaks every year when the show – spread over 120 episodes – is on air. A 10-second ad costs anywhere between ₹2 lakh and ₹2.5 lakh and the broadcaster is known to have coughed up in excess of ₹110 crore this year to put the show together. But *Bigg Boss*'s viewership now doesn't come from TV alone.

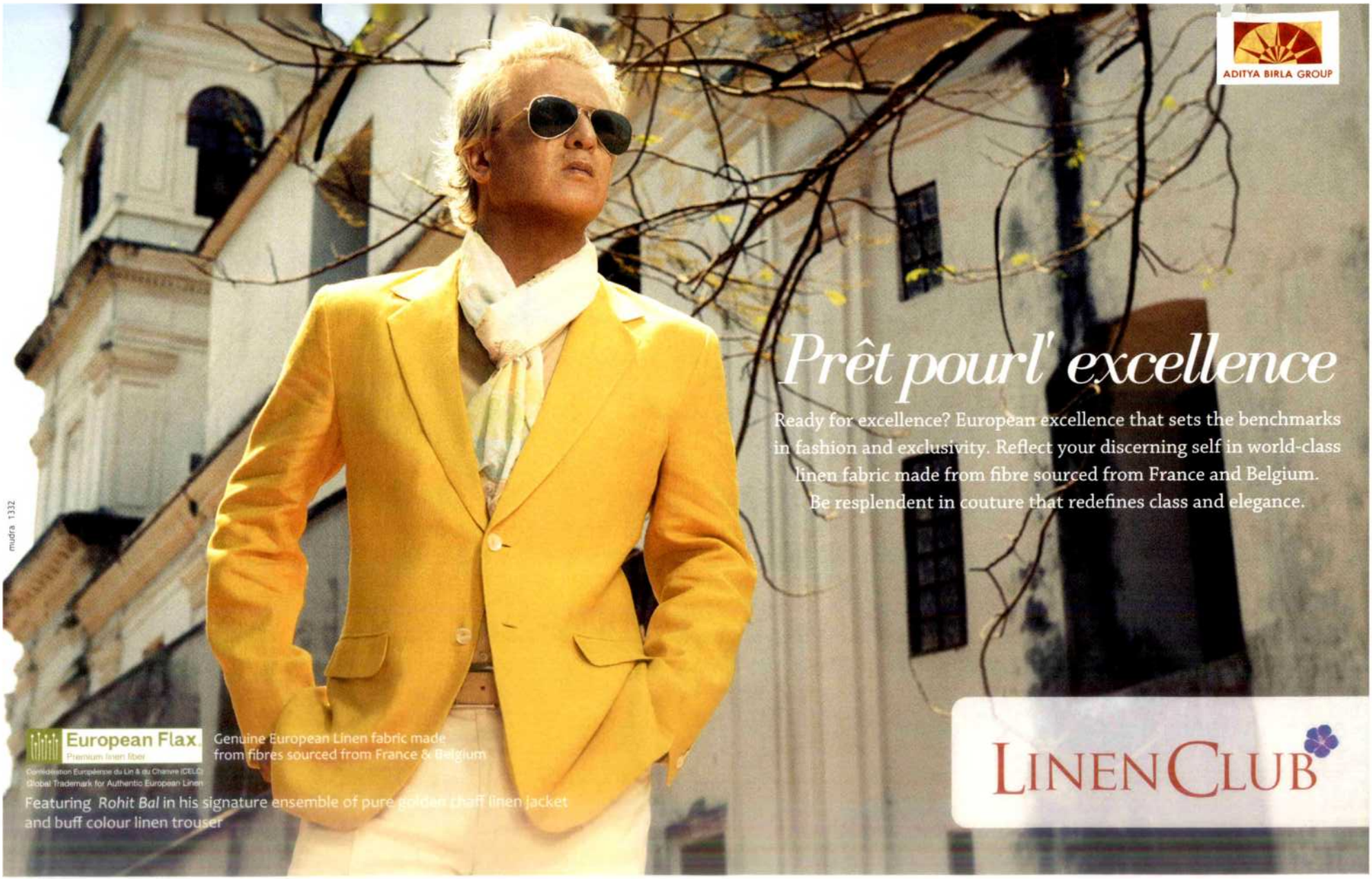
Last year, the *Bigg Boss* episodes on YouTube got 50 million viewers. In 2013, *Bigg Boss Season 7* has already got 50 million viewers within three weeks of the show launch. That's not all. The Bigg Boss app on Apple and Android platforms enables fans to access 18 hours of live content from the Bigg Boss sets. The live feed on Apple has already got over 100,000 views. "This content is not necessarily aired on TV. Apart from this, the *Bigg Boss 7* micro-site also has three exclusive web videos which again are not aired on TV," says Vivek Srivastava, Commercial and Digital Head, Colors.

Indeed, more and more Indians are consuming content online, on mobile platforms and tablets, a reality that broadcasters can no longer afford to ignore. India has 125 million Internet users, of which 35 million consume video content online. There are 30 million smart phone users and 66 per cent of the data consumed by them on their 3G devices is video. The number of smartphone users is expected to spiral to 100 million by the end of this year. Thus consumption of videos over smartphones is expected to grow by some 60 per cent in 2013, according to various industry reports. "The time for content consumption on the second screen has arrived and everybody has started realizing this," says Preetesh Chouhan, Vice-President & Sales Head of digital advertising and video monetisation company Vdopia.

MORE AND MORE INDIANS ARE CONSUMING CONTENT ONLINE, A REALITY THAT BROADCASTERS CAN NO LONGER AFFORD TO IGNORE

Like Colors, broadcasters such as Multi-Screen Media (MSM) and Star India are also getting increasingly serious about their online and mobile presence. Star India launched Starsports.com in July and from the day of its launch it has been a paid platform (₹100 per month). "Consumers are willing to pay for quality content, be it online or on mobile. We gradually intend to convert all our other online video platforms to pay platforms," Star India COO, Sanjay Gupta, had told *Business Today* in June this year.

Online and mobile platforms were initially seen by most broadcasters as a tool to market and promote their TV shows. But today they look at them as an upcoming revenue vertical. MSM, for instance, has launched Sony Liv, its digital channel, which airs content from all the channels of



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the MSM bouquet. Based on an ad revenue model, Liv contributes about 2 per cent to the revenue of the media company, according to Nitesh Kriplani, Executive Vice-President (Business Development & Digital/Syndication, New Media), MSM. "The target given to me is that it should start contributing at least 10 to 15 per cent in the next three years," he says.

The cost for a one-minute ad spot on Sony Liv or any online broadcast platform ranges from ₹400 to ₹600 per minute. For marquee properties like the KBC, the rate could even be ₹800 to ₹1,000 per minute. This, of course, is minuscule compared with what Sony is charging advertisers for a 10-second spot on its TV channel – ₹5 lakh – but the interest in online and mobile advertising is on the rise.

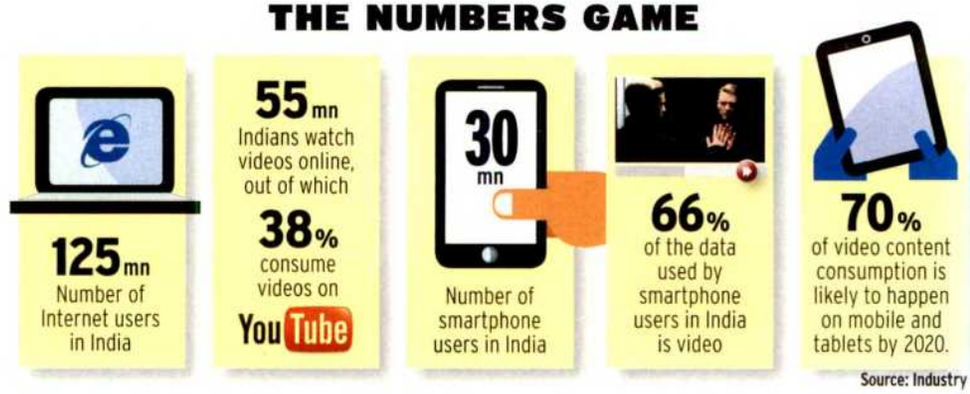
"The acceptability of these platforms has gone up manifold just within a span of one year," says Chouhan of Vdopia, who has been handling the digital monetisation of properties such as *Bigg Boss* and *Kaun Banega Crorepati* (KBC). In the last season of KBC, Vdopia was finalising the online advertisers even after the show was on air for four to five weeks but this year they had big ticket advertisers, such as Maruti and Axis Bank, much before the show was on air. In fact, both the advertisers are supporting various web-based games around KBC. "This actually helps them to engage with the consumers for a longer duration, unlike TV where one doesn't know whether the target audience is watching the ad or not," says Chouhan. While playing a web game the consumer is taken to the brand's website.

Digital advertising in India is a ₹2,800-crore industry, according to the FICCI-KPMG Media and Entertainment Report. The fastest growing segment is mobile advertising, a ₹400 crore market, growing by 25-30 per cent year-on-year. However, subscription-based models are also getting increasingly popular on the mobile platform. Such models work out to be more lucrative for content aggregators who obtain rights from multiple content providers to resell through various communication channels. G.D. Singh, Director, Digivive, a mobile content aggregator which runs nextGTv.com, says that from being a completely ad-driven network a year ago, today close to 80 per cent of its revenue comes from subscription. "Now we see a lot of broadcasters approaching us to offer their content. Earlier, many of them didn't want to give us content as we offered it free," he says. nextGTv has a 'freemium' model – it offer 150 channels, where 100 are free and 50 are pay channels priced at ₹75 per month. Singh claims that nextGTv has had close to 14 million downloads till date. "None of the big broadcasters are willing to give content unless we offer them a subscription-cum-advertising deal," adds Nickhil Jakatdar, CEO and Founder, Vuclip, another mobile content aggregation company.

Besides broadcasters and content aggregators, distributors too are showing interest in online and mobile video content. For instance, IndiaCast (the distribution company of Viacom 18) has a new media arm which distributes the online and mobile video content of all its channel partners. "We are here to monetise our content and online and video content is something we can't afford to ignore," points out Anuj Gandhi, CEO, IndiaCast.

Almost 70 per cent of video content consumption will happen on mobiles and tablets by 2020, according to some estimates. With 3G rollout on the fast-track and 4G on its way, this prediction could soon become a reality. ◆

THE NUMBERS GAME



Source: Industry

ONLINE AND MOBILE PLATFORMS WERE INITIALLY A TOOL TO PROMOTE TV SHOWS. BUT NOW THEY ARE SEEN AS AN UPCOMING REVENUE VERTICAL

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Browsing Delight

App Name: Coast; iOS
Cost: Free

Browsers for tablets have never been able to break the mould – until now. The recently launched Coast by Opera for the iPad takes tabbed browsing to a new level, letting users pin their favourite pages to multiple swipe-through screens. When you open and shut a page it starts showing in a tab below. From there you can just drag it up to pin it as a permanent tile. When on a page, you can go back by just swiping from left to right.

A GREAT NEW BROWSER APP, A BB BLAST FROM THE PAST AND AN ULTRALIGHT ULTRABOOK

Going Retro

BlackBerry's new operating system and devices have dominated recent headlines. But clearly the company thinks there is still some life left in its old platform yet. So the new 9720 is almost everything the old BlackBerry used to be with the addition of a touchscreen. The QWERTY keypad is the hero here, despite the very responsive touchscreen also available. But the 806 MHz Tavor MG1 processor and 512 MB RAM cannot boost its performance to the levels most of us are now used to. There is also just 512 MB internal storage – you may well run out of space in a few months as you keep storing. Buy this if you need BlackBerry connectivity and enjoy a QWERTY keypad.

NIDHI SINGAL

Price, keypad

Old OS, underpowered

BLACKBERRY 9720 **Price:** ₹15,990

SONY VAIO PRO 13 **Price:** ₹74,990

Style and Substance

With a maximum thickness of 17.2 mm and weighing just over a kilo, the Sony Vaio Pro 13 is just what ultrabooks are meant to be. For the average business user, this means you can easily hold this 13.3-inch device in one hand while working on it with the other. But this one is not just about portability and style. There is also a stunning Full HD touch display with Sony's patented Triluminous technology that makes it more vivid than anything ever seen on a computer this size. The sound quality is good too. The backlit keyboard makes it easy to work when you are aboard a flight. This Windows 8 device powers up in just about five seconds thanks to the Intel Core i5 processor. For more power hogging uses, you will need to buy the expensive Core i7 version.

NANDAGOPAL RAJAN

Portability, stunning display

Price, stubborn trackpad

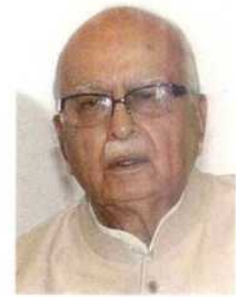
"I honestly feel that if there is an important point of view, any member of the Congress party, any member of my Cabinet is free to raise issues. I think that's what a democracy is about"

Manmohan Singh, *Prime Minister, India, to wire agencies*

"My mother told me the words I used were wrong. Words were wrong but my sentiment was not. It is amazing to see reactions to it. I am flabbergasted"

Rahul Gandhi, *Vice President, Congress, to wire agencies*

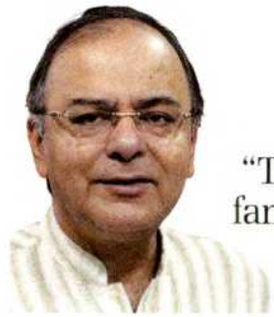
"It's Pranab da, not Rahul, who saved the situation. So, the nonsense slur hurled at the Cabinet approved ordinance cannot apply only to the PM and his Ministers. Soniaji must also share responsibility"



L.K. Advani, *Senior BJP leader, on his personal blog*

THE SAMAJWADI PARTY REQUESTED THE PM TO REMAIN FIRM. THE MESSAGE SHOULD NOT GO THAT THE ORDINANCE WAS WITHDRAWN UNDER THE PRESSURE OF ONE INDIVIDUAL"

Naresh Agarwal,
SP, Rajya Sabha MP, in Business Standard



"The ordinance was withdrawn as the family overruled the government. It's a tragedy that the PM is not the master"

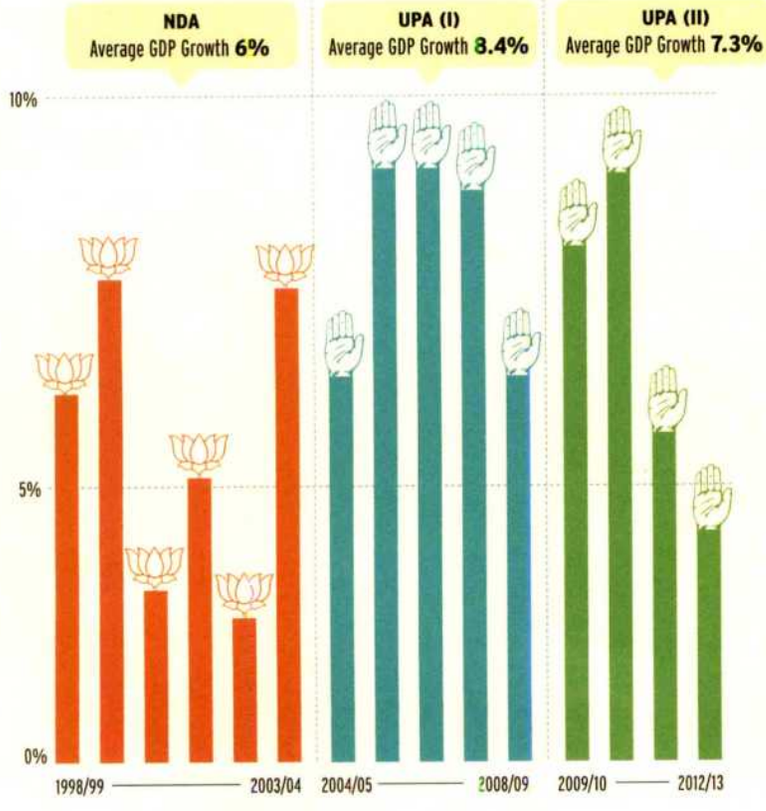
Arun Jaitley, *Senior BJP leader, in* The Times of India

SCORES EVEN

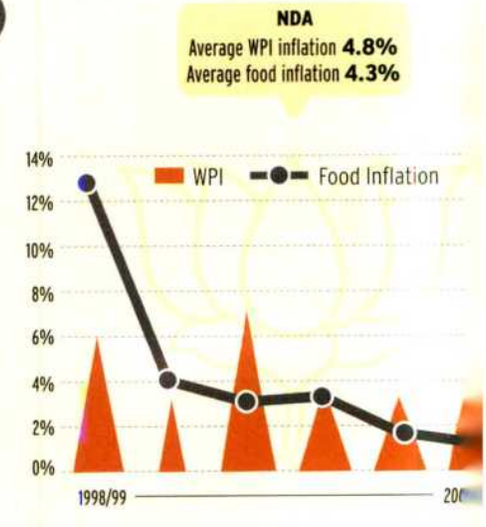
Which government was better for the Indian economy – the Congress-led United Progressive Alliance (UPA) from 2004 to 2013, or the Bharatiya Janata Party-led National Democratic Alliance (NDA) from 1998 to 2004? As general elections near, a war of words has broken out between the Congress and the BJP over the economic track record of their respective governments at the Centre. *Business Today*'s assessment shows that their successes and failures even out.

Graphic by Santosh Kushwaha | Research by Jyotindra Dubey

1 Average GDP growth was higher during the UPA's nine years in power than during the NDA's six years.

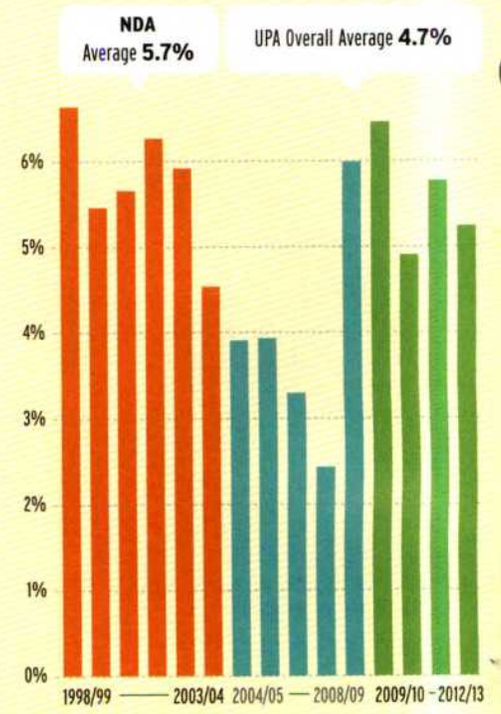


2 But the NDA government was more successful in taming inflation during its regime than the UPA.

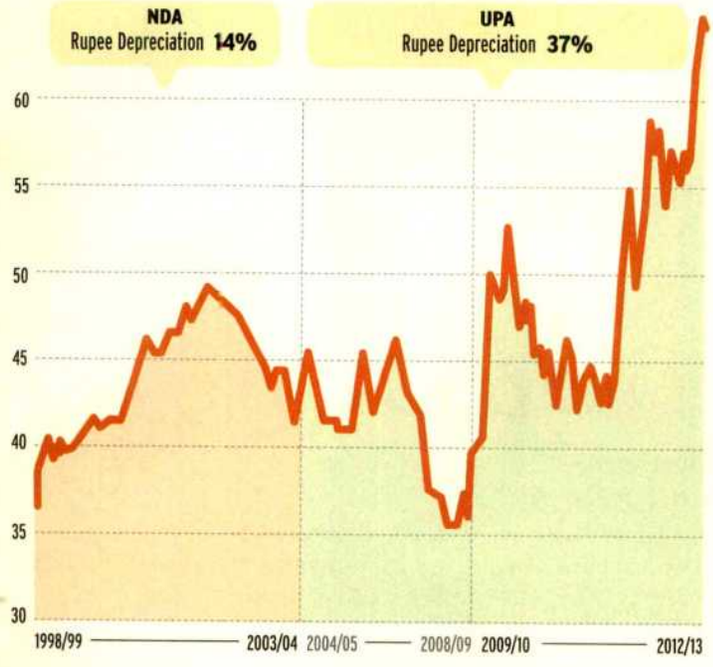


3 The UPA in its first term fared better than the NDA in managing the fiscal deficit, but only marginally so in its second term.

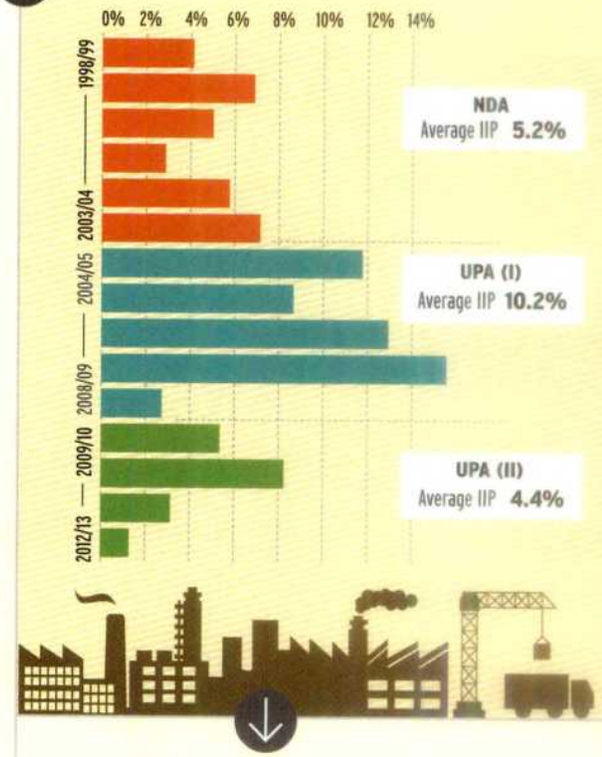
Fiscal Deficit (% of GDP)

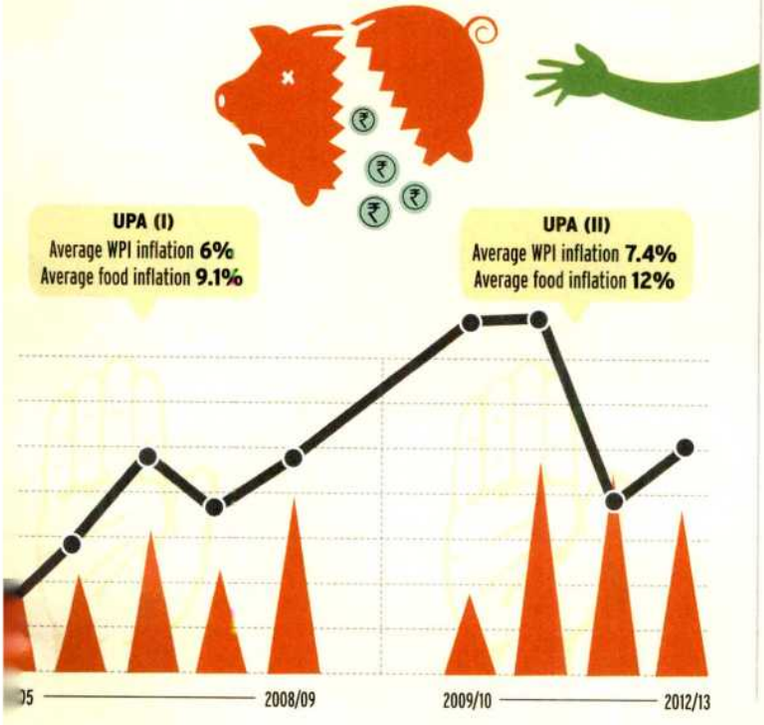


4 The rupee remained stable during the NDA regime. This is in stark contrast to the UPA years when the rupee depreciated sharply, plunging to all time lows.

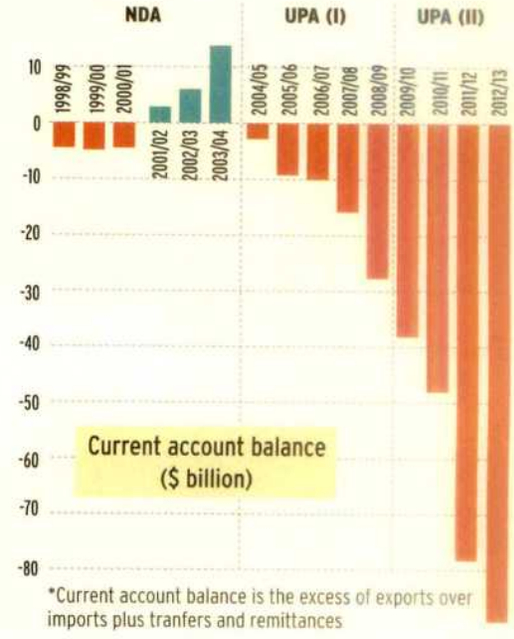


5 The average Index of Industrial Production (IIP) growth during UPA I was almost double that during the NDA period. But the IIP tumbled during UPA II.





6 The country was reporting a current account surplus in the second half of the NDA's term. The UPA has been running large deficits with a surge in oil imports.

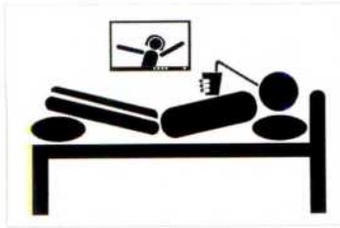


*Current account balance is the excess of exports over imports plus tranfers and remittances

Sources: Central Statistics Office (CSO), RBI, Planning Commission, Reuters.com

Numbers Game

The fifth edition of the video game Grand Theft Auto is being billed the most expensive game ever created. It cost $115 million to make, and gaming company Rockstar North, which is bringing out this series, has also earmarked $150 million for its marketing. The game involves three main characters organising a bank heist. The series began in 1997 and earlier versions have all been terrific successes.



Left Flat

No one will complain if they are caught sleeping on the job. NASA is seeking volunteers to study the effects of microgravity. What will those chosen be paid $4,800 a month for? They will have to lie in bed for 70 days with their feet raised slightly higher than their heads. They can watch TV, surf the Net, eat and shower in bed - with special arrangements - but they won't be allowed to get up.

India Crawling

Of the 207 mega infrastructure projects of over ₹1,000 crore being carried out in the country, 97 - or 46 per cent - are delayed, says the ministry of statistics and programme implementation. The delays have raised the total cost of these projects to ₹7.81 trillion from ₹6.99 trillion. (A trillion is 100,000 crore.) The worst offenders are power projects, with 30 of them behind schedule, followed by Railways-related projects, 18, and petroleum projects, 13.

HOW THINGS WORK

SANTOSH

Law Breaking Lawmakers

Rahul Gandhi's dramatic intervention forced the government to withdraw the controversial ordinance that would have protected legislators from being immediately disqualified upon conviction for a criminal offence. A look at the growing presence of criminals in Indian politics:

Current situation: Around 30 per cent – 1,448 of 4,835 members of Parliament and state Assemblies have criminal charges against them. Of the 1,448, a total of 641 face serious charges such as murder, rape and kidnapping. In the worst affected state, Uttar Pradesh, 29 of the 58 ministers have criminal records

The law: Section 8(3) of the Representation of People's Act (RPA) says "any person convicted of any offence and sentenced to imprisonment for not less than two years shall be disqualified from the date of such conviction and shall continue to be disqualified for a further period of six years since his release". The catch is that they have to be convicted – as long as they merely face charges, no matter how heinous, their political careers are unaffected. Given the notoriously slow pace of justice, this can be a very long time.

How the present controversy arose: Until July 2012, even those convicted had an escape route – they were not disqualified if they contested the judgment in a higher court. But that month, a Supreme Court judgment removed the loophole by striking down Section (4) of the same RPA. The government then decided to bring an ordinance negating the apex court judgment, which has now been withdrawn.

History: The criminalization of Indian politics has been a serious issue for at least four decades. Political parties have never hesitated to hand out election 'tickets' to criminals. Nor have voters shunned them. Suggestions by bodies such as the election commission and the law commission on ways to curb the trend have so far been largely ignored.

Reform: One key change, however, occurred in 2003 when the RPA was amended to ensure voters knew the antecedents of candidates. Since then it has been mandatory for candidates to declare not only their assets, but also whether or not they face criminal charges. But this has made little difference to their poll performance.

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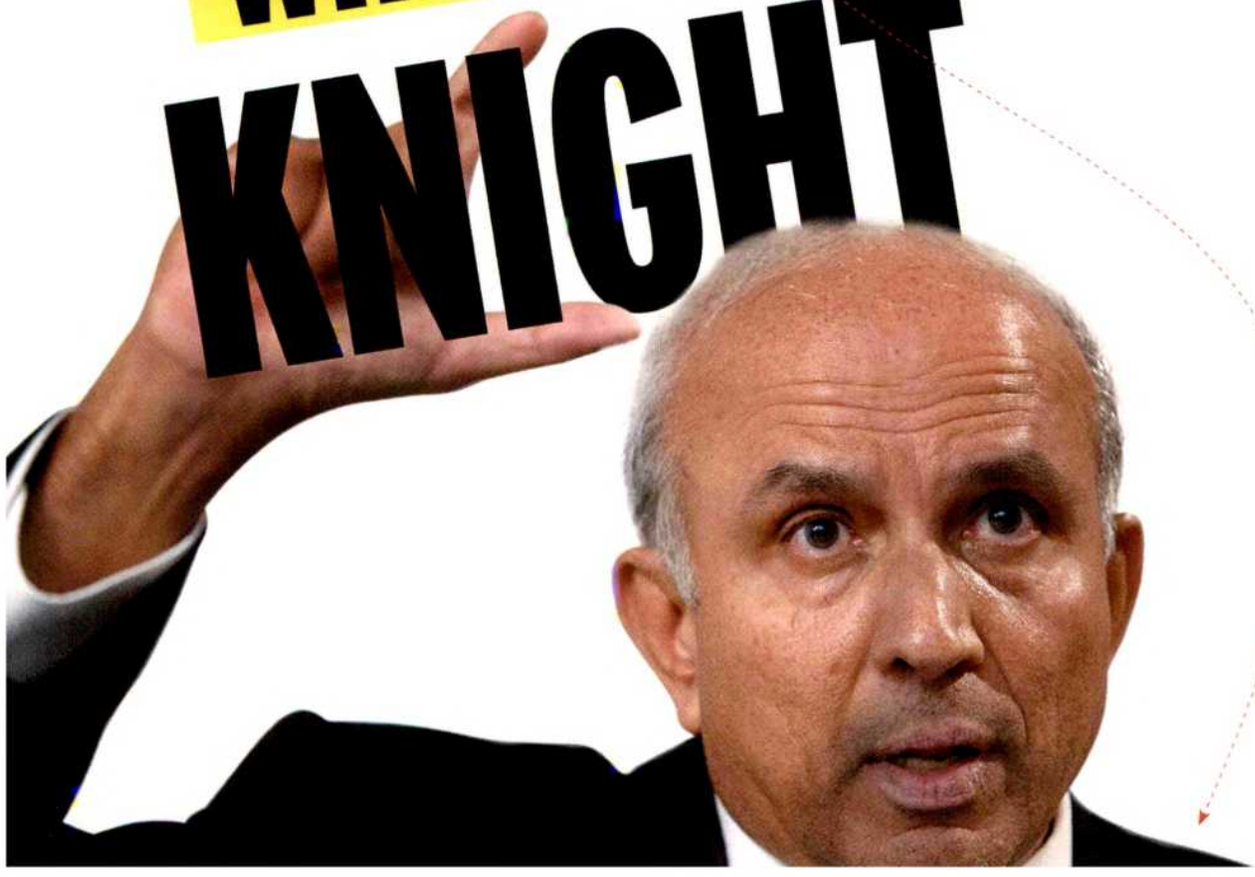
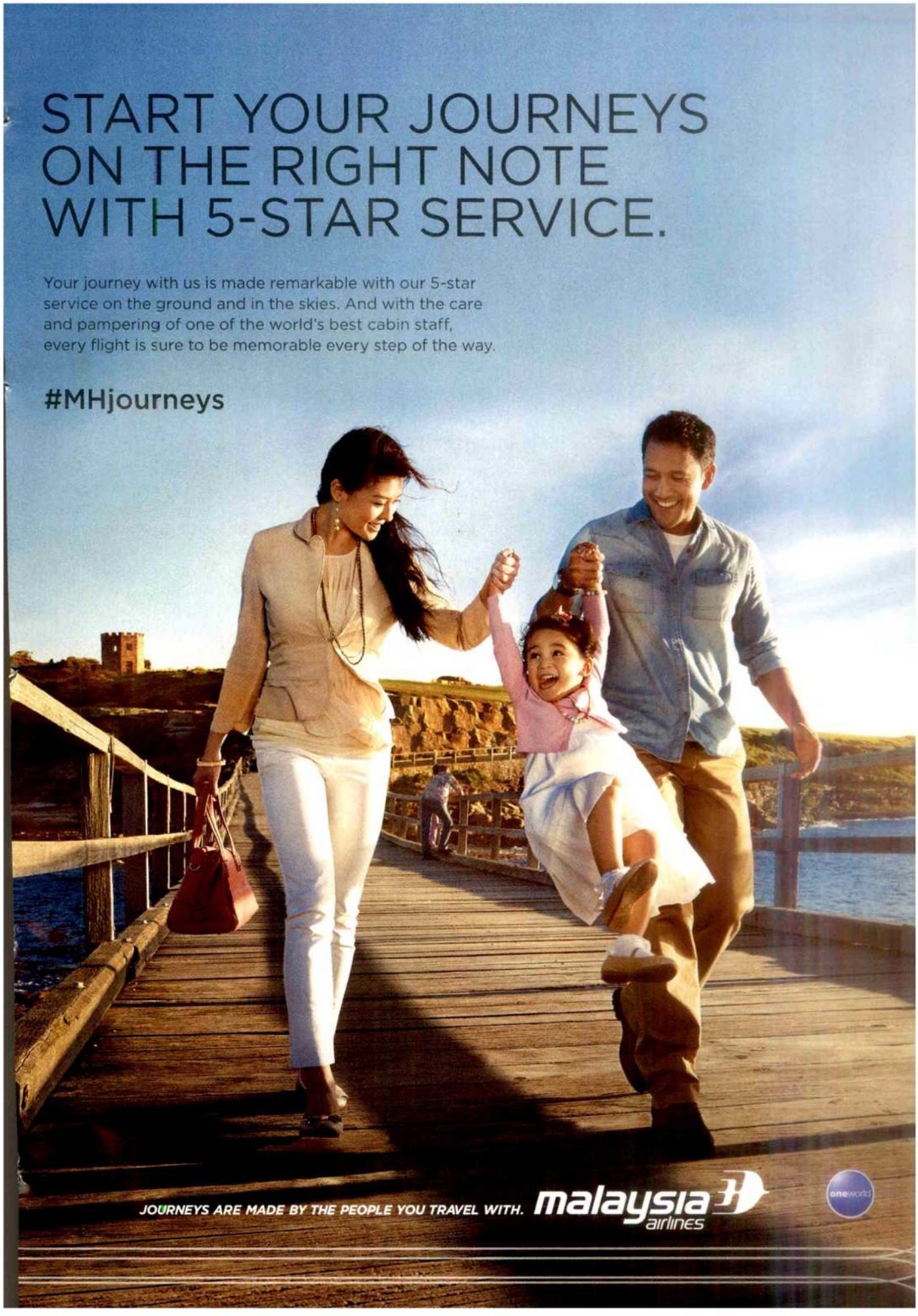
BLACKBERRY'S WHITE KNIGHT

Prem Watsa, known as Canada's Warren Buffett, was always a safe investor. Here's the story of the man making a big bet on BlackBerry. By K.R. BALASUBRAMANYA

At the end of 2007, Café Coffee Day Founder and Chairman V.G. Siddhartha flew from Bangalore to Mumbai to have dinner with Canadian billionaire Prem Watsa. There was a slight nip in the air that evening but Watsa's prediction was chilling: a bubble had developed in the US sub-prime mortgage market and it would explode soon. The following year, Watsa's forecast came true. Media reports say the India-born CEO of Fairfax Financial Holdings had moved much of his company's $16-billion portfolio out of the stock market and into safer treasury bonds and cash ahead of the 2008 meltdown. "He confidently told me something was wrong in the US sub-prime mortgage market," says Siddhartha, who has known Watsa for about 15 years. "In 2008, Fairfax was the highest profit-making corporation in Canada because Prem took the right derivative calls at the right time."

Watsa may have been spot on five years ago, but the question on everybody's lips today is: has he made the right call by offering to buy beleaguered smartphone maker BlackBerry Ltd for $4.7 billion? Some industry experts think it is a risky bet because the 63-year-old

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Watsa with Cafe Coffee Day's V.G. Siddhartha (left), Fairfax Lead Director Anthony F. Griffiths (middle)

known as Canada's Warren Buffett, is generally a careful investor. They are sceptical because Toronto-based Fairfax's investment in BlackBerry hasn't paid off so far. It has already paid an average of $17 a share for 10 per cent in the company; last fortnight, the shares were trading below the Canadian-led consortium's latest $9 bid price. But Watsa is confident he can pull it off. "We wouldn't put our name to such a high-profile deal if we didn't feel confident that at the end of the day our due diligence would be fine and we'd be able to finance it," he told Reuters.

Watsa's confidence stems from his track record. When he failed to make it to the Indian Institute of Management, Ahmedabad, after graduating from the Indian Institute of Technology, Madras, in 1971, he worked a couple of jobs in Hyderabad until he got admission to the same management school the next year. Barely a month later, he moved to Canada where he went on to get a management degree from the University of Western Ontario. He began his career at Confederation Life Insurance Co in Toronto, and in 1984 co-founded Hamblin Watsa Investment Counsel, now part of Fairfax. He took control of Markel Financial Holdings the next year and in 1987 renamed it Fairfax – short for fair and friendly acquisitions. "He is a remarkable Indian, who landed in Canada with $8 in his pocket. His investments show his sharp analytical mind and vision for his company," says Coffee Day's Siddhartha.

Over the years, Watsa grew into a savvy investor. He built Fairfax into a global insurance and investment firm with some unorthodox but prescient business decisions. When Watsa began his entrepreneurial journey in 1985, gross premiums written in his insurance business were $17 million; by 2012, they had ballooned to $7.2 billion.

Who is Prem Watsa?

He is **Chairman & CEO,** Fairfax Financial Holdings Ltd, Toronto, Canada

WAS BORN IN Hyderabad

ON Aug 6, 1950

PARENTS HAILED FROM Mangalore, Karnataka

STUDIED AT IIT, Madras; University of Western Ontario, Canada (MBA)

LEFT INDIA in Sept, 1972

BUSINESS: Insurance and investment

Last year, Fairfax's insurance and other investments logged $8 billion in revenues and $540 million in profit. One of the companies Fairfax has invested in is Arbor Memorial, a 66-year-old funeral services company that runs 41 cemeteries and 92 funeral parlours in Canada. Watsa once jokingly told his shareholders: "Rest assured, this business is not going away." The Indian business community sees him as a leading investor. "In the investment community, I don't think there is any other Indian who is as tall as Watsa," says Subba Rao Amarthaluru, Chief Financial Officer, RPG Group.

Watsa's group made two big investments in India last year: it acquired 75 per cent in Thomas Cook (India) and, through it, also controls Bangalore-based HR solutions firm IKYA Human Capital Solutions. His group holds a 26 per cent stake in ICICI Lombard General Insurance Company as well. "Our investment philosophy is based on the value approach as laid out by Ben Graham and practised by his famous disciple, Warren Buffett. This means we buy stocks of financially sound companies at prices below their underlying long-term value. We expect to make money over time, not in the next month or two," he said in his first annual report in 1985.

India remains on Watsa's investment map. Industry experts say he will develop Thomas Cook along the lines of Berkshire Hathaway, Buffett's investment vehicle. When Watsa picked up a 74 per cent stake in IKYA for ₹260 crore last year, he handled it through Thomas Cook and not his Mauritius-registered investment company Fairbridge Capital. "That shows Prem's contrarian approach," says a colleague.

Fairfax executives say Watsa looks for companies with strong fundamentals and long-term potential. IKYA

THE COMPANY

FAIRFAX REVENUE*	NET PROFIT*	ASSETS	INVESTMENT RETURNS IN 2012	RETURNS IN 27 YEARS TILL 2011
$8 billion	$540.7 million	$37 billion	4.5%	9.4% a year

INVESTMENTS IN INSURANCE COMPANIES
OdysseyRe, Northbridge, Crum & Forster, Zenith, ICICI Lombard and Fairfax Asia

NON-INSURANCE INVESTMENTS
Ashley's, Sporting Life, Prime Restaurants, Zoomer Media and Thomas Cook (India)

* Figures are for 2012 and in US dollars

is a case in point: it is already making more profits than its competitors and will touch $1 billion in revenues in three years, says its co-founder and CEO Ajit Isaac, who first met Watsa ahead of the acquisition last year. "In the first 30 seconds, you will know you are connecting with someone who can make a difference to the moment; his integrity strikes you upfront," he says.

One senior Fairfax executive says Watsa is a positive thinker. At the same time, he is a realist, aware of the risks involved in a potential deal and capable of predicting what could go wrong. In early 2007, Watsa sent Richard Bookstaber's book on the causes of the financial crisis, *A Demon of our own Design*, to ICICI Bank's youngest director V. Vaidyanathan, who was heading retail banking then. Watsa, who was on the board of ICICI Bank, was highly supportive of the retail banking concepts. "Watsa believes in the concept of creating real sustainable value, saying if you create sustainable businesses, it will override cycles," says Vaidyanathan, who now heads Capital First Ltd.

FAIRFAX'S HOLDINGS IN INDIA

75%
in travel company
Thomas Cook (India)

74%
in HR company
IKYA Human Capital

26%
in insurance firm
ICICI Lombard

Isaac says one of Watsa's biggest strengths is his ability to zero in on relevant information in the maze of details in potential deals. Watsa is known for the folksy tone of his letters to shareholders. In the March letter, he took a dig at former Citigroup Inc CEO Chuck Prince who, when asked about the bank's overexposure to private equity buyouts, told a journalist in 2007: "As long as the music is playing, you've got to get up and dance." The next year, the bank required a $45-billion bailout. "Expensive dance," said Watsa in his letter. "We prefer to wait for the music to stop and not depend on the kindness of strangers to be in business."

ADDITIONAL REPORTING BY ANAND ADHIKARI

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Plumbing New Depths

Business confidence slips further as an inflation-wary central bank gets tough on interest rates, finds the latest *Business Today-C fore* Business Confidence Survey.

By MANU KAUSHIK

Vijendra Agarwal is facing one of the severest crises of his lifetime. The Lucknow-based entrepreneur runs Shashi Cables, which he set up 40 years ago. The ₹100-crore company makes electrical cables and conductors for clients such as Power Grid Corporation, Larsen & Toubro and Tata Projects. For the past nine months, the company is feeling the impact of a slowdown in the power sector. And Agarwal expects revenue to drop 25 per cent in the current financial year. "Demand for our products has been dull this year," he says. "Customers have stopped placing fresh orders. Big power projects are not coming up at the same rate as about four to five years ago."

Agarwal's worries are shared by a large number of small- and medium-sized entrepreneurs across the country, finds the latest edition of the *Business Today-C fore Business Confidence Survey*. The survey for the July-to-September period of 2013 found that sentiment among corporate leaders is at a record low since BT started this survey in 2011. On a scale of 100, the confidence level is at 48.2 in the second quarter of 2013/14, down from 48.7 in the April-to-June period and 54.4 in the three months before that. Market research agency *C fore* quizzed 500 CEOs and chief financial officers across 12 cities for the survey.

From a high of 74.8 in the quarter ended March 2011, business confidence fell steadily, picking up only in the January-March period of 2012, ahead of the Budget. Sentiment steadily improved throughout 2012/13. But since the beginning of the current financial year, confidence has again taken a beating over concerns of

FROM BAD TO WORSE

Business sentiment hit the lowest point ever

slowing economic growth, a weak rupee, and a widening current-account deficit. In the first quarter of 2013/14, the economy expanded 4.4 per cent from a year earlier, the slowest pace in four years. The rupee touched a historic low of 68.85 a dollar on August 28 on concerns over the economy's health, high demand for the greenback from importers and weak global sentiment.

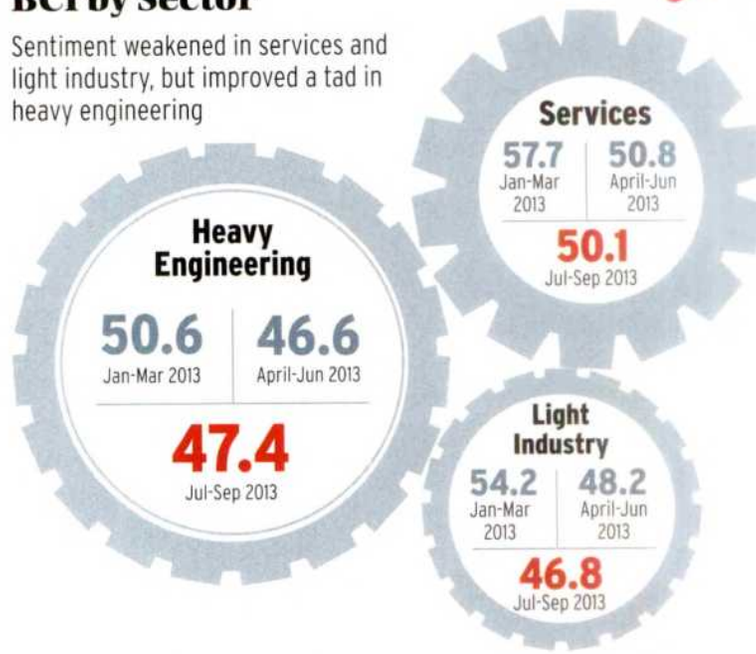
"The rupee's relentless fall coupled with the government's inability to curb its slide led to a perception amongst businesses that the government does not have a command over the economy," says Abheek Barua, Chief Economist at HDFC Bank. In recent weeks, however, the rupee has shown some strength. The local currency got help from the Reserve Bank of India's (RBI) steps to attract foreign funds, easing geopolitical tensions and the US Federal Reserve putting off its plans to end its bond-buying programme to support the world's biggest economy. The rupee was trading around 62 to a dollar on October 3.

The survey shows that light industry and services sector have taken a hit in the quarter through September. R.C. Bhargava, Chairman at auto maker Maruti Suzuki, says demand for vehicles has not been growing and there are no signs of improvement. "We will be happy if we can achieve one to two per cent growth this year," he says.

The survey also shows that a thumping majority of respondents – 87 per cent – expect the overall business situation to remain unchanged or worsen in the next quarter. Businesses that pinned hope on the new RBI governor Raghuram Rajan have been disappointed after he raised the main lending rate by 25 basis points. The surprise rate hike

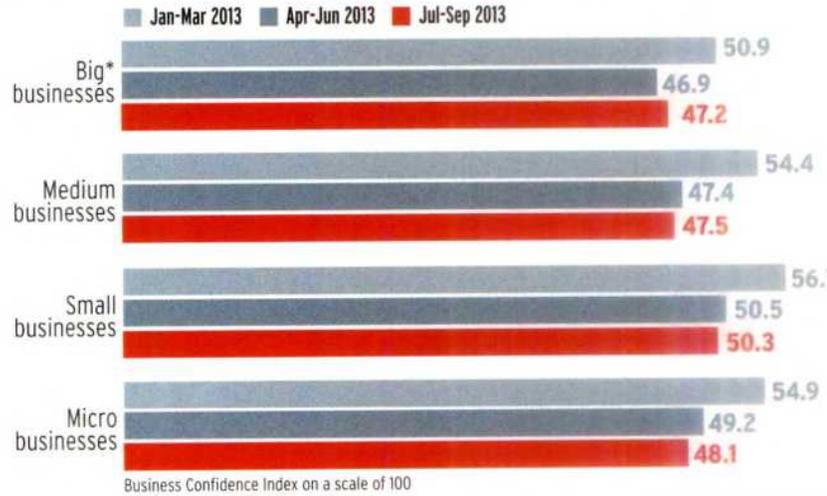
BCI by Sector

Sentiment weakened in services and light industry, but improved a tad in heavy engineering



BCI by Size

Micro businesses experienced the sharpest fall, but big business sentiment rose a bit



*Big businesses: Turnover > ₹500 crore
Medium businesses: Turnover ₹100-500 crore
Small businesses: Turnover ₹5-100 crore
Micro businesses: Turnover < ₹5 crore

"We [Maruti Suzuki] will be happy if we can achieve one to two per cent growth this year"

R.C. BHARGAVA
Chairman, Maruti Suzuki

was aimed at controlling inflation. Wholesale prices-based inflation rose to a six-month high of 6.1 per cent in August, up from 5.8 per cent a month before. "Rajan cannot do anything dramatic," says Subba Rao Amarthaluru, Group CFO at RPG Group. "Monetary policy cannot be a cure to the economy. For the economy to come back, the overall investor sentiment has to improve."

The survey points out that a large number of respondents are not ready to make fresh investments. More than 60 per cent say that the hike in the lending rate will affect their investment plans for the remaining two quarters of 2013/14. Sunil Duggal, CEO of homegrown Dabur India says spending on new product launches and innovation will go down across the consumer goods sector. "There's a sharp drop in demand for consumer products, especially in urban areas. Growth of urban disposable income is contracting due to high inflation."

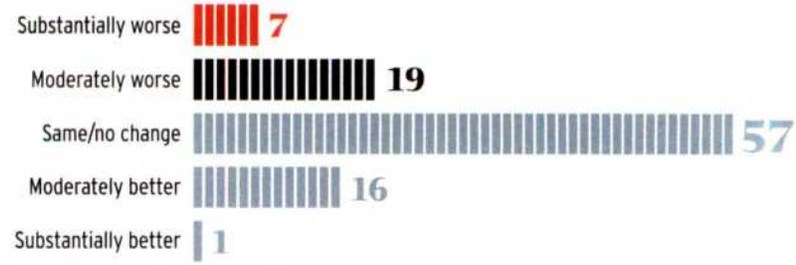
The outlook on raw-material prices also looks discouraging in the next quarter with nearly 70 per cent of respondents expecting their costs to worsen. George Menezes, Chief Operating Officer at consumer durables firm Godrej Appliances, says an economic recovery in the United

PAIN REMAINS

The majority agreed the gloomy business environment had stayed unchanged

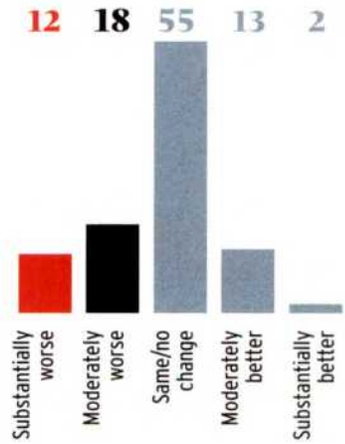
Overall Economic Conditions

In fact, more than a quarter of respondents felt conditions were worse



Finance Availability

Fund availability dropped for 30 per cent

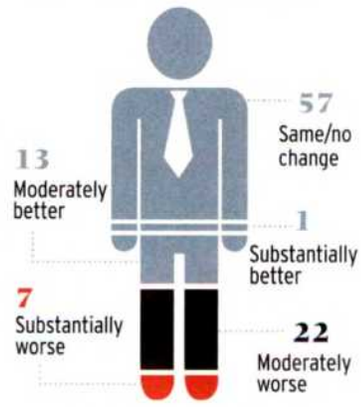


Demand Conditions

Almost a fourth felt demand fell

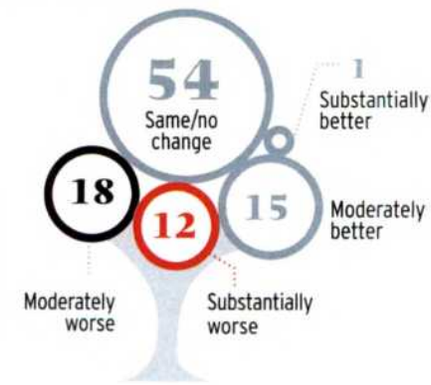
Hiring Conditions

Over a quarter felt hiring fell

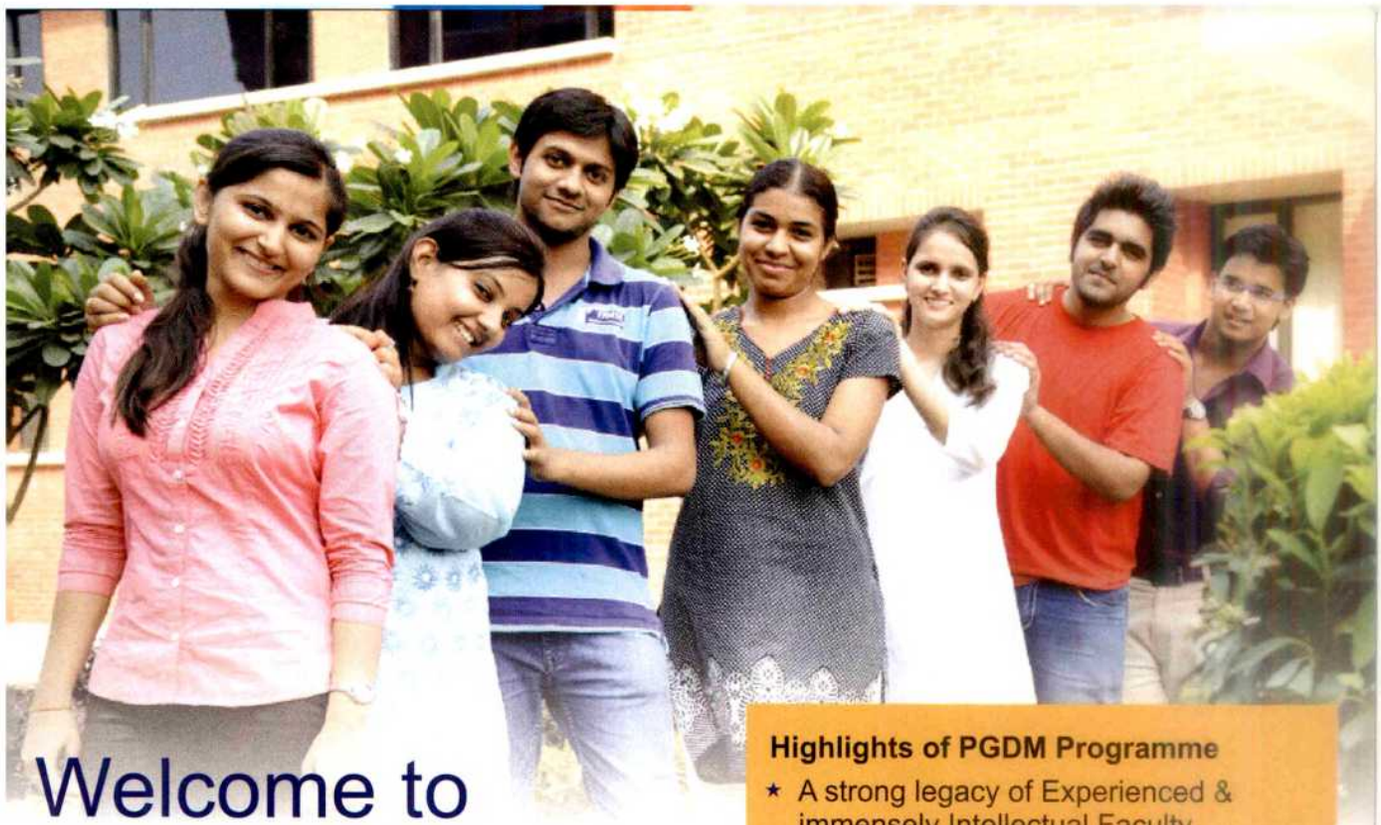


Profit Margins

Profit margins expanded for just 16 per cent



Figures indicate percentage of respondents



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"[There was] a perception amongst businesses the government does not have a command over the economy"

ABHEEK BARUA
Chief Economist, HDFC Bank

States and China is expected to increase consumption in these two markets and this will drive up commodity prices. He says that more than 65 per cent of his raw material constitutes commodities – polymers, ferrous and non-ferrous metals. "Prices of commodities have increased in the past four weeks. Crude oil prices are also on an upward trend," he says.

Even though the confidence level of big businesses has improved marginally, small and micro-scale businesses have shown a slip. The reason for this drop, as Anil Bhardwaj, Secretary General of the Federation of Indian Micro, Small and Medium Enterprises, puts it, is the vulnerability of these businesses to economic shocks. "Small enterprises buy raw material almost on a daily basis. With the fluctuation in the rupee-dollar rates, prices of raw material swing and affect their profit margins."

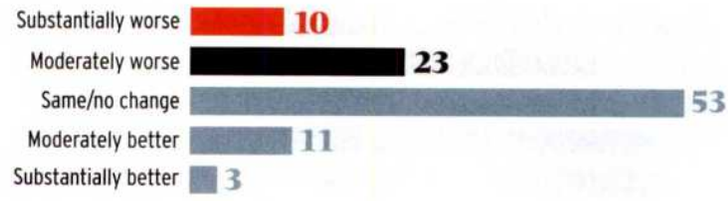
Some are hopeful the situation will start to improve now. Chandrajit Banerjee, Director General at lobby group Confederation of Indian Industry, says the current account deficit could have been much worse than 4.9 per cent of gross domestic product in the April-to-June quarter had the RBI not intervened. The government is also encouraging exports through various incentives, he adds.

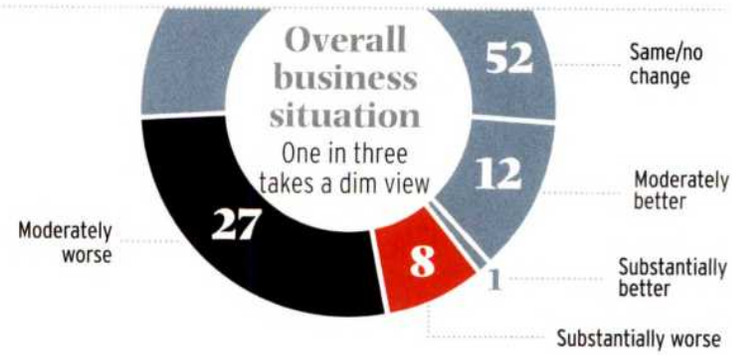
GLOOMY FUTURE

Most companies expect no improvement in the forthcoming October-December quarter

Overall Economic Situation

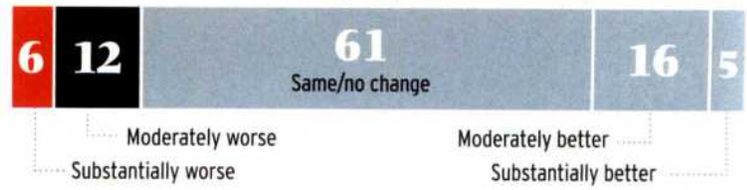
One-third of respondents feel the situation will worsen





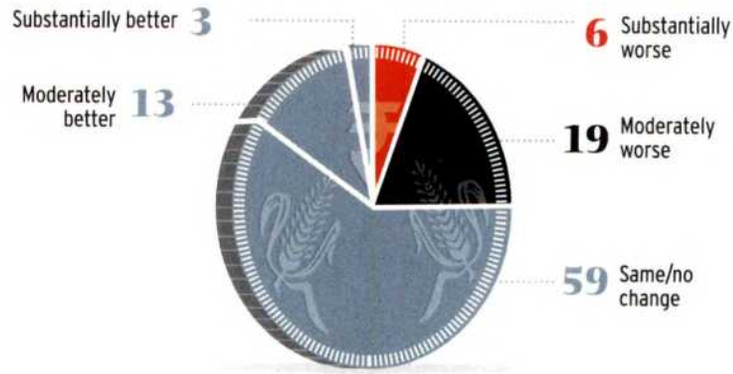
Overall Financial Situation

Pessimism rules, the majority expects no change



Availability of Finance

A quarter expect a decline



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DRAGONAIR

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"There's a sharp drop in demand for consumer products, especially in urban areas"

SUNIL DUGGAL
CEO, Dabur India

Recently, Finance Minister P. Chidambaram asked the central bank to see if export credit could be treated as priority-sector lending. In July, the commerce ministry increased the interest rate subvention for exports to three per cent from two per cent. The government hopes these measures will help it control the current account deficit at 3.8 per cent of GDP for the current financial year. Besides, the Cabinet Committee on Investment has cleared 36 projects worth ₹1.83 trillion and six mega projects worth ₹32,300 crore across areas such as power, oil and gas, roads, and railways in the past two months. (One trillion is 100,000 crore.) HDFC Bank's Barua says RBI Governor Rajan is also pushing for growth and has shown his mettle while dealing with the rupee's drop.

Still, a few corporate honchos remain sceptical. "In my opinion, nothing much will change before the general elections [scheduled to be held by May next year]," says RPG Group's Amarthaluru. "Investors will wait for the elections to get over. They will not take a hurried decision in the current scenario." ◆

ADDITIONAL REPORTING BY K.R. BALASUBRAMANYAM

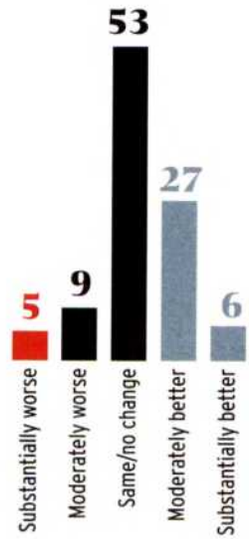
Send your comments to editor.bt@intoday.com

Cost of external finance

Half the respondents feel things will get worse

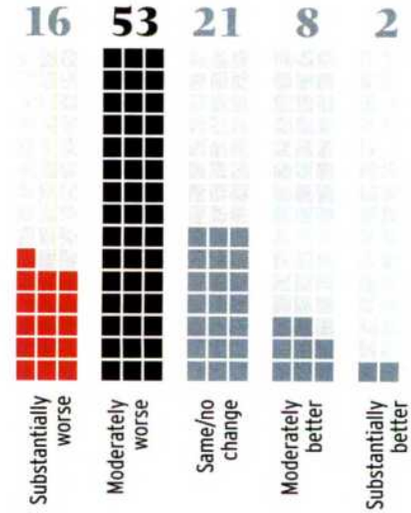
Order book

About two-thirds are pessimistic



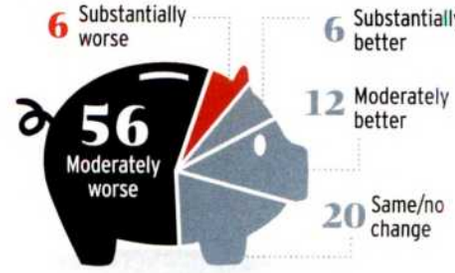
Cost of raw material

Nearly 70 per cent expect costs to rise



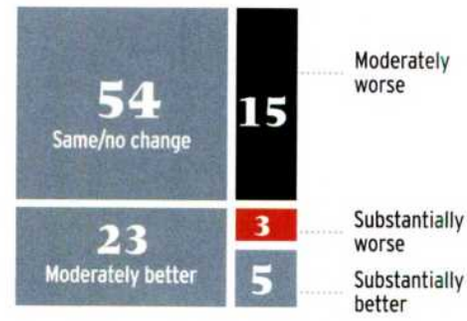
Investments in business

Over three-fifths see investments falling



Selling Prices Pickup

However, a quarter feel prices will rise



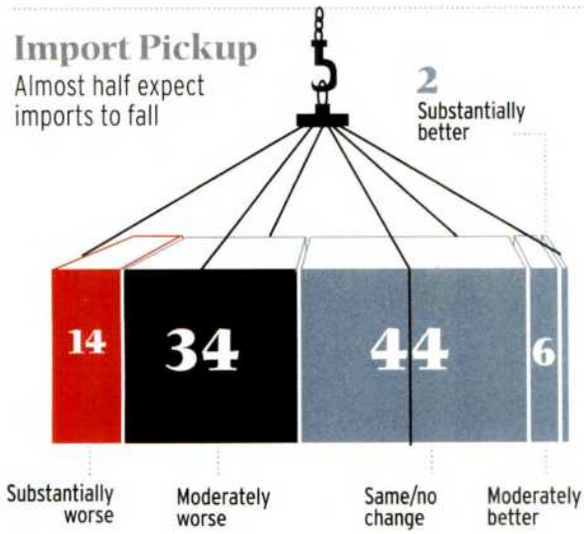
Figures indicate percentage of respondents

Export Pickup

Three in five do not expect exports to increase

Import Pickup

Almost half expect imports to fall



Hiring Pickup

Nearly a fourth expect hiring activity to decline

Profit pickup

Nearly two in five expect profits to drop

Will the latest economic data and the RBI's stance affect your investment plans in the second half of 2013/14?

Figures indicate percentage of respondents

GRAPHICS BY SANTOSH

METHODOLOGY

Market research agency C *fore* conducted the survey for the July-to-September quarter. The field work was done in September. A structured questionnaire was administered to CEOs/CFOs of companies. Five hundred CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities – Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Kolkata, Lucknow, Mumbai, Nagpur and Visakhapatnam. The companies were segmented based on turnover as well as products. Those with a turnover of over ₹500 crore are termed as big, those with a turnover of ₹100-500 crore as medium, those with a turnover of up to ₹100 crore as small, and those with a turnover below ₹5 crore as micro businesses.

CHAITANYA KALBAG

The Dauphin and the Figurehead

I remember visiting the Chilean poet Pablo Neruda's house in Isla Negra, west of Santiago, a few years ago. It was his favourite home and he is buried there with his third wife Matilde Urrutia. The house has a strong maritime feel, with Neruda's collections of ships in bottles, shells, and in one large room, figureheads – the buxom ladies with flowing tresses that used to adorn the prows of old wooden ships. One of them was particularly memorable – a figure that appeared to 'weep' as the ship presumably sailed into stormy seas. That figurehead reminded me of our benighted prime minister as he headed last fortnight into what can only charitably be dubbed "POTUS Interruptus" – his meeting with the President of the United States in Washington D.C. That meeting was torpedoed by presumptive heir Rahul Gandhi's shock gate-crashing of a press conference in Delhi where RaGa tried to stem the NaMo tide with a denunciation of the criminals-in-parliament ordinance. All very noble and undeniably the one act that pitchforked Lalu Prasad Yadav into prison a few days later, but redolent of the embarrassing mess that India's government has sunk into. Gandhi could have used his *ex parte* power to halt the ordinance before it was sent up to the President by the Cabinet; indeed, the ordinance itself was a desperate act to circumvent a stalled draft law that would allow convicted criminals to continue to wield power in our legislatures, neutralising a Supreme Court ruling in July. Instead, the young Gandhi chose to underline the impotence of constitutional posts in India. The day after Manmohan Singh limped back from the US, his Cabinet meekly decided that the ordinance, and the pending bill, should both be "torn up and thrown out".

Timing is everything, and with a number of state elections soon, leading to the general election next year, the cynicism and opportunism are manifest. The Congress-led government now in power will be remembered as the most corrupt in our history

Timing is everything, and with a number of state elections soon, leading to the general election next year, the cynicism and opportunism are manifest. The Congress-led government now in power will be remembered as the most corrupt in our history. Rahul Gandhi said it was time to fight corruption and to stop making "these small compromises". But there are larger ones at stake. Lalu was jettisoned just after the Finance Ministry issued a report that lists Bihar and Orissa among the country's most underdeveloped states, and thus eligible for the special status they have been clamouring for – a move that might encourage Nitish Kumar and Naveen Patnaik to throw their lot in with the Congress. The same week the Seventh Pay Commission was set up; although its recommendations will likely come into effect in 2016, it will have cheered up about eight million government employees. The Telangana die was cast on October 3. It's politics with a vengeance, the prime minister be damned – but that does not help the economy.

Gross Domestic Product (GDP) has grown at below five per cent for three quarters. Consumer price inflation stayed high at 9.52 per cent in August, with the central bank noting glumly that the trend was "entrenching inflation expectations at elevated levels and eroding consumer and business confidence". The RBI has cut its GDP growth forecast for 2013/14 to 5.5 per cent; the Prime Minister's Economic Advisory Council has cut it to 5.3 per cent; Finance Minister P. Chidambaram now says, "I think anything higher than five per cent and anything closer to 5.5 per cent should be considered a very satisfactory movement forward"; and the Asian Development Bank said it is revising its India GDP growth forecast down to 4.7 per cent from 6.0 per cent.

Meanwhile, the government is rowing furiously against the tide. Chidambaram has vowed to contain the current account deficit to $70 billion this fiscal year from $88 billion last year, but short-term debt is rising as a percentage of total foreign debt. The rupee's continuing weakness and the coming tapering of the US Federal Reserve's quantitative easing will hang over India.

Will a new, non-UPA government turn the tables? The ADB thinks GDP will grow by 5.7 per cent in 2014/15, but it is not as if the tendencies in the Indian economy will go away magically after the elections. We continue to be the sinkhole for the world's gold. We have become accustomed to very high food inflation – not helped by the Food Security Bill. And we have resigned ourselves to the rupee trading at around 62 to 65 to the US dollar. All this will make "complete nonsense" of our personal finances, of course, but to paraphrase Rahul Gandhi, it's time to wise up to the "political line" that India will be an economic juggernaut. ◆

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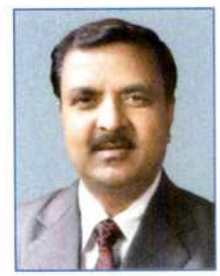

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COST-CUTTING CAN BEAT A SLOWDOWN

Karthik Vedagiri
PGP Class of 2014,
Indian School of Business,
Hyderabad

AGREE

"Air India and Maruti are shining examples"

Cost-cutting is the most potent antidote to the economic slowdown. There are shining examples which reinforce my assertion. Air India reported a cash surplus of ₹460 crore in the April to June quarter this year.

When most people had written off the carrier, it was the grossly underestimated power of 'cost-cutting' that came to its rescue. During the same period, Maruti Suzuki too reported a 49 per cent growth in profits over last year's figure. Maruti embarked on a process of re-invention, maximising operational efficiencies through innovative production techniques and better inventory control.

Interestingly, the company achieved such unprecedented growth, even with its net sales falling 5.1 per cent, as compared with last year's same period sales. These exemplify the role cost-reduction plays in stimulating economic growth, especially during periods of slowdown.

Sadly, cost-cutting has been viewed rather myopically, as a mere slew of employee layoffs, debt restructuring and austerity campaigns. To my mind, it is an opportunity to reassess business processes and come up with innovative solutions, while providing robust, sustainable growth.

Vineet Singh
PGP 2012/2014, Indian Institute
of Management,
Ahmedabad

DISAGREE

"Innovation is the key, not short-sighted slashing of budgets"

A focus on cost cutting alone can lead to cutting corners. To thrive in spite of a slowdown, corporations need to walk a thin line between reducing costs and investing in future growth. When Alan Mulally became CEO of Ford Motor Co, the company had gone through several downsizing initiatives but was still losing market share.

Mulally sought to renew Ford's culture by encouraging transparent decision-making and increased accountability. Ford rapidly gained market share and its profits continued to soar even though its competitors, General Motors and Chrysler, declared bankruptcy.

Companies must avoid short sighted cost cutting measures and instead innovate. During the Great Depression of the 1930s, P&G chose to pursue new marketing modes instead of cutting advertising budgets. Realising consumers would continue buying soap, it sponsored daily radio shows called "soap operas".

P&G's marketing innovation resulted in strong growth over the next several years. Thus, corporations must invest strategically during tough times while managing costs, if they want long term success.

Dear Management Students,
From this issue, *Business Today's* association with you grows stronger. We have started a new forum, the B-school Debate, to highlight your views – the voices of students. We will carry it once a month discussing a significant business/economy related issue. We firmly believe we need fresh perspectives from bright young minds. The debate will also continue online on our website at *www.businesstoday.in/bschooldebate*. Post your views online to make this an intellectually stimulating endeavour. The best comment wins a year's subscription to *Business Today*.

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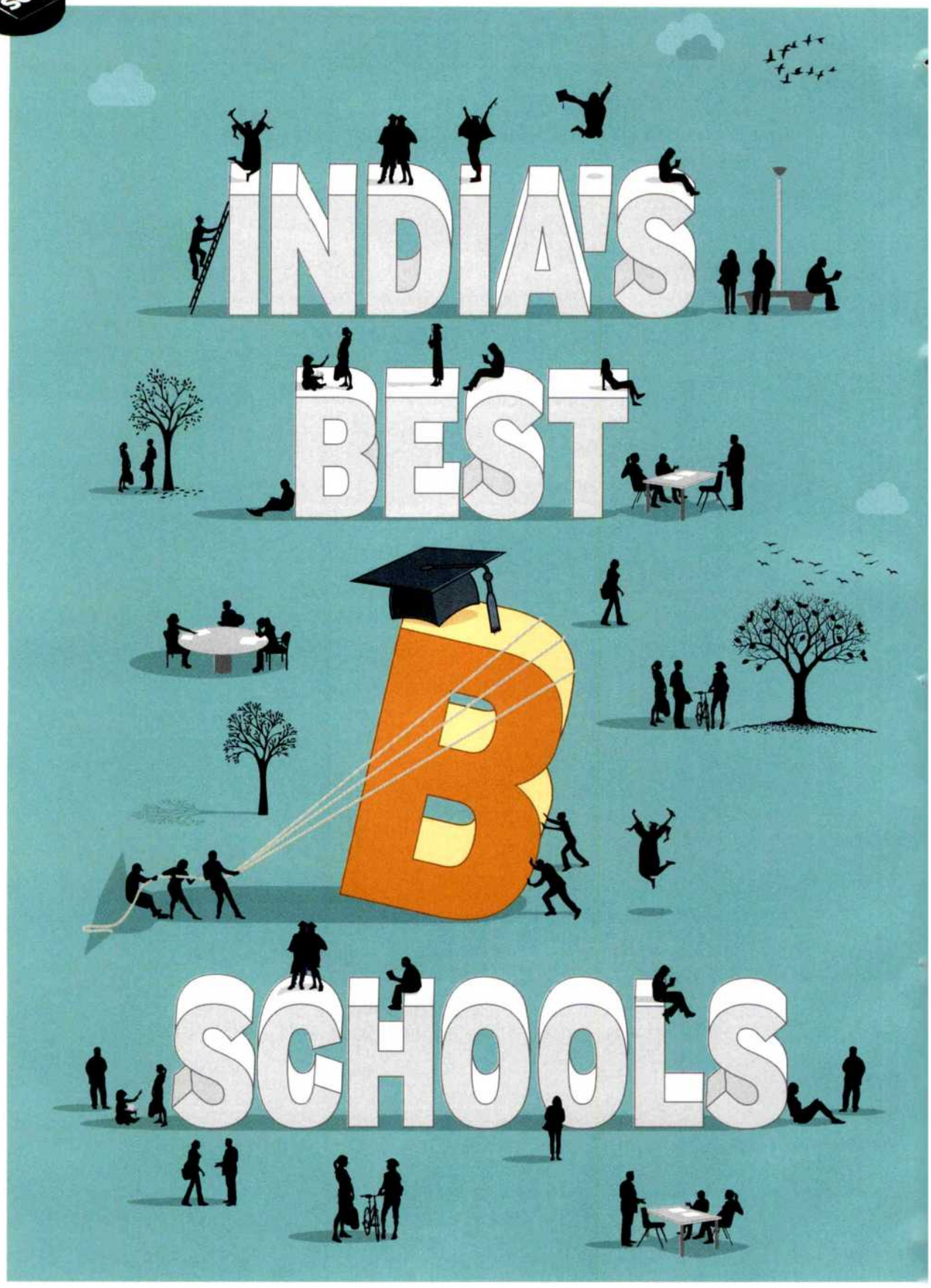


ILLUSTRATION BY SANTOSH

The slowdown's bite is apparent, but the hunger for a seat in any of the top B-schools remains as strong as ever. Presenting the 2013 edition of *Business Today's* survey of India's top B-schools, in partnership with MDRA.

BY SHAMNI PANDE

TOP 10 B-SCHOOLS

RANK 2013	RANK 2012	INSTITUTE	TOTAL SCORE	OBJECTIVE SCORE	PERCEPTION SCORE	EXPERIENTIAL SCORE
1	1	Indian Institute of Management, Ahmedabad (IIM-A)	1,839.2	840.2	799	200
2	2	Indian Institute of Management, Calcutta (IIM-C)	1,687.2	773.4	714.4	199.4
3	4	XLRI, Jamshedpur	1,567.1	750.7	640.8	175.6
4	3	Faculty of Management Studies (FMS), Delhi	1,493.5	745.2	603.0	145.3
5	9	Indian Institute of Management, Kozhikode (IIM-K)	1,480.6	731.4	592.3	156.9
6	4	Indian Institute of Management, Indore (IIM-I)	1,451.4	710.7	610.8	129.9
7	10	S.P. Jain Institute of Management & Research (SPJIMR), Mumbai	1,448.3	762.8	556.1	129.4
8	8	Management Development Institute (MDI), Gurgaon	1,412.4	734.6	521.8	156.0
9	24	Indian Institute of Foreign Trade (IIFT), Delhi	1,376.7	723.9	513.4	139.4
10	35	International Management Institute (IMI), Delhi	1,359.4	711.2	508.5	139.7

Though last year's ranks have been provided, they are, strictly speaking, not comparable as this year's methodology is different. IIM-B and IIM-L did not participate in the survey. Source: *BT*-MDRA India's Best B-schools Survey 2013

It is that time of the year again when business schools start preparing to take in a fresh batch of students, and student aspirants in turn prepare for the dreaded CAT, or common admission test, to get into these schools. This is also the time when *Business Today's* ranking of India's top business schools is announced.

This year, the *BT*-MDRA India's Best B-schools Survey has gone one step ahead of last year's comprehensive overhaul. We have added a unique "experiential survey" of alumni – to the existing objective and perception surveys. This will give our readers the added advantage of alumni views to validate whether their business school's education actually faced up to market reality. This year, programmes of less than two years -- such as those offered by Indian School of Business or ISB, Hyderabad and Great Lakes Institute of Management, Chennai -- were not included, because we wanted to separate the regular two-year programmes from the specialised executive programmes.

So this year we also have a separate ranking of executive programmes, in which ISB Hyderabad comes out tops. Given the increasing trend of people going back to school after working for a few years, this ranking had become necessary (see *B-school Interlude*, page 82).

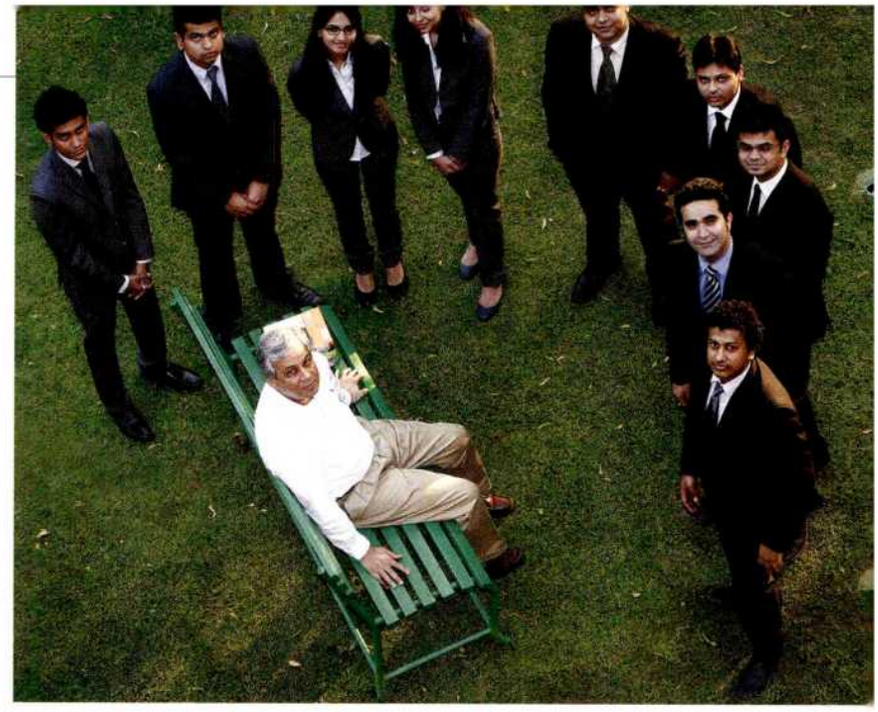
There are many other changes to the methodology (see *The Third Dimension*, page 120). This year, 213 B-schools participated. Among those who declined were Indian Institute of Management, Bangalore (IIM-B), and

IIM, Lucknow (IIM-L). The ranks of the Top 100 have been published in this issue (Page 126) and the entire list can be seen at *businesstoday.in/bschools2013-tables*

What are the main trends? The economic slowdown has impacted placements at B-schools, including the best ones. "The downturn has taken its toll on placements in management education," says Ashish Nanda, the new Director of IIM, Ahmedabad (IIM-A). In challenging times, companies tend to scrutinise the cost of new recruitments closely, he points out, with some even postponing them.

Ashok Banerjee, Dean, New Initiatives and External Relations, IIM-Calcutta, confirms the trend. "Till 2007, our students had no interest in public sector units, but thereafter many have been joining PSUs, especially the banks – opting for slimmer pay packets if job security is guaranteed," he says. Like last year, this year too, recruitment is likely to stay flat.

Has this adversely impacted the demand for business education? Initial reports of the number of students appearing for the CAT, whose scores form the basis of admission at IIMs and other top B-schools, show a drop from 214,000 last year to 196,000 this year. But there could be other reasons for the fall. "Many students find CAT difficult and non-transparent. Also, the online format of the exam has tended to confuse and disengage some," says Ulhas Vairagkar, a 1980-batch alumnus of IIM-A and Director, Triumphant Institute of Management Education (T.I.M.E.) Education, which claims to be the largest B-school entrance exam trainer in the country.



Faculty of Management Studies, Delhi, is known for its low tuition fee and high quality education. Dean Raj S. Dhankar (seated) with students

Indeed, other examination formats bear him out since they have seen an increase in numbers. For instance, the All India Council for Technical Education's (AICTE) Common Management Admission Test (CMAT) has added numbers of up to 140,000 applicants within two years. XAT, or Xavier Admission Test, conducted by XLRI, Jamshedpur, has seen the number of applicants go up to 90,000 from 60,000 last year.

Sweet Home

The other trend is that fewer B-school aspirants are looking overseas, thanks to the uncertain economic climate in many developed countries, especially Europe, and the continued fall of the rupee. "If anything, education here has become cheaper," says Vairagkar.

Every year up to 300,000 students go abroad to study further, of which a large number study management. In 2012, for example, there were over 54,000 Indian international student enrollments in Australia, of which more than 31,000 were enrolled in management and commerce courses. "Australia has experienced some decline in Indian international student enrollments in recent years, due to various reasons, including student visa policy changes, the global financial crisis and the strength of the Australian dollar," says Vartika Bassi Sethi, Program Officer – Media & Advocacy, Australian High Commission, Delhi.

The trend is borne out by Naveen

RANKINGS DOWN THE YEARS

1998		2000		2002	
1	IIM, Ahmedabad	1	IIM, Bangalore	1	IIM, Bangalore
2	IIM, Bangalore	2	IIM, Ahmedabad	2	IIM, Calcutta
3	IIM, Calcutta	3	IIM, Calcutta	3	IIM, Lucknow
4	XLRI, Jamshedpur	4	IIM, Lucknow	4	NITIE, Mumbai
5	IIM, Lucknow	5	IRM, Anand	5	IIM, Kozhikode

GREAT START

Average salaries paid to fresh recruits*

B-schools ranked from	Annual pay (₹ lakh)
1 to 25	11.98
26 to 50	6.46
51 to 75	4.73
76 to 100	4.59

PUBLIC VS PRIVATE

Who command the bigger premium: students from private B-schools or govt ones? The top 100 schools throw up a surprising result*

Average annual salary paid on entry (₹ lakh)

ENGINEERED TO WIN

The proportion of students with engineering backgrounds is inordinately high in top B-schools. But not in others*

B-schools ranked from	Ratio of engineering to non-engineering students
1 to 25	85:15
26 to 50	41:59
51 to 75	26:74
76 to 100	29:71

Source: BT-MDRA India's Best B-schools Survey 2013

Chopra, Chairman, The Chopras, which provides consulting services, among other things, to students wanting to study abroad: "MBA numbers have flattened out and even shown some decline. Interest has shifted to specialist programmes within B-schools," he says.

Take Amit Ray. The 37-year-old graduated in the Post Graduate Programme for Executives, Class of 2013, at IIM-C, instead of going abroad. "While I did get admission into some of the prestigious institutes in Europe, the changing visa rules and economic climate played spoilsport. In India, I realised that IIM-A, IIM-B and IIM-C were the schools that could provide me with the experience I was looking for," he says. He is now country head at EiP, India, the Indian JV entity with a UK-based management consultancy called Inspiring Business Performance, or IBP.

Indian B-schools are also looking to bolster their brand value through participation in global surveys and gaining international accreditations. Leading B-schools such as IIM-A, IIM-C and Indian school of Business (ISB), Hyderabad, have gained some traction in global rankings. Six of the B-schools in our survey have acquired international accreditation (see *Home and the World*). These accreditations are globally accepted stamps of quality.

In the pages that follow, we have a package of stories on the

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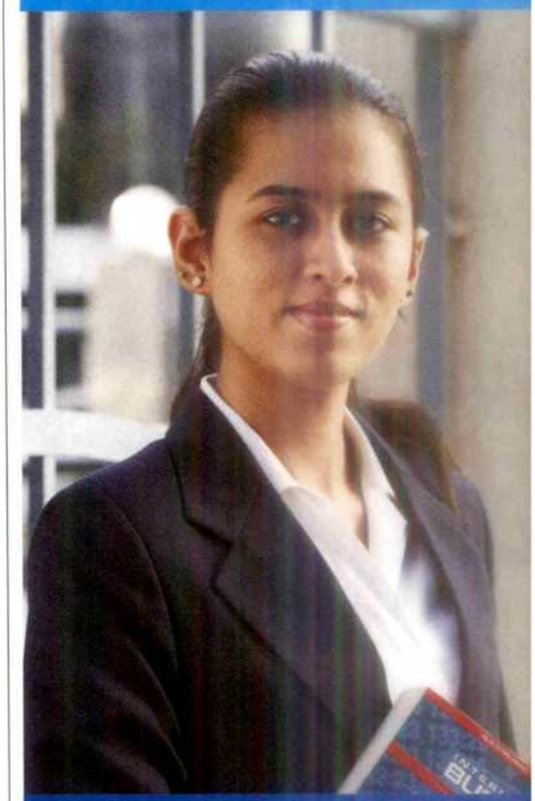

Top Ranked B-School

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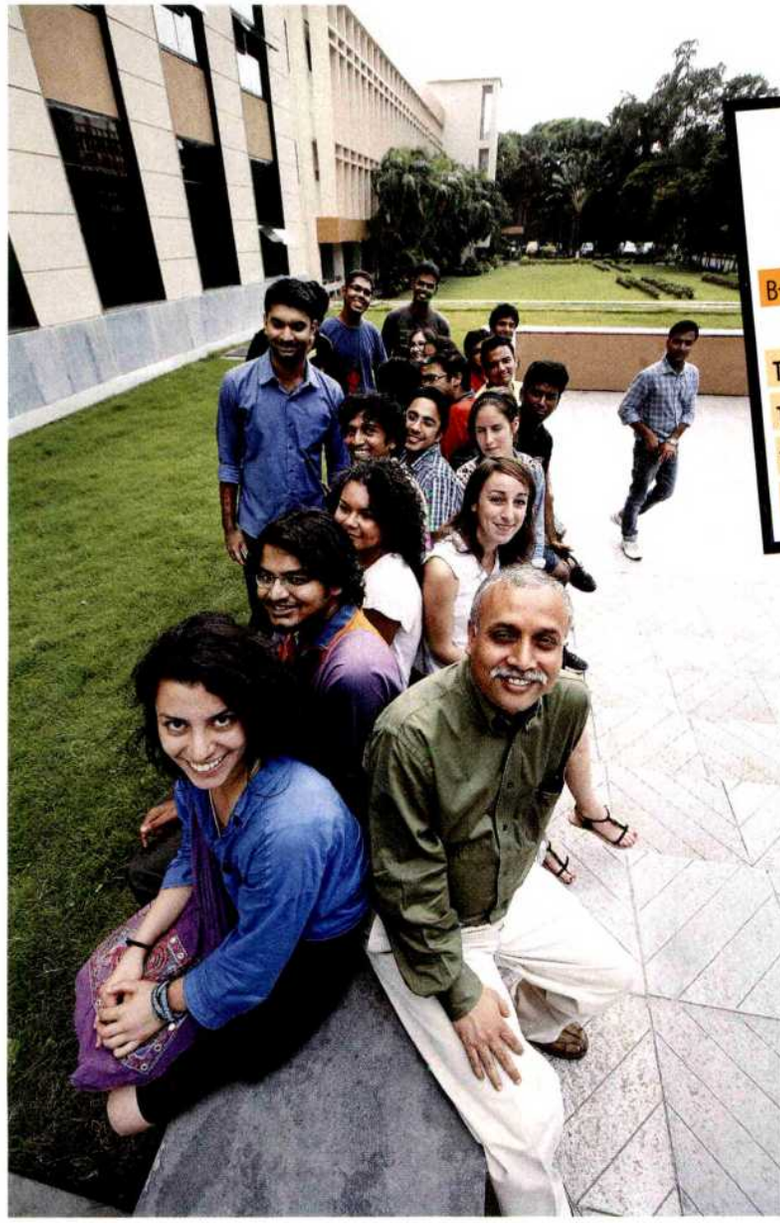
churning environment. First, there are the profiles of schools that did well. Then, we note the trend of many students opting for rural/agriculture and co-operative management.

The hallowed IIMs are under pressure (see *The Writing on the Wall*, page 96). The number of IIMs has increased, which means getting good faculty is more difficult than before. There is increasing pressure to do more and better research, which the faculty seem to be resisting. There is an appalling lack of takers for even the few token grants that are on offer.

But it is not all doom and gloom. There are rays of hope in the way Indian enterprise is shaping up. Small beginnings are to be found in the way B-schools are encouraging entrepreneurship and innovation (see *Start-up Factory No. 1*, page 116).No prizes for guessing which school is doing it best – here too, IIM-A is the winner.

Business schools are also latching on to the growing appetite

Indian Institute of Management, Calcutta, has maintained its position at #2. Dean Ashok Banerjee (in green shirt) with his students



GENDER GAP

The average number of men for every woman in the top B-schools*

B-school	Male to Female Ratio		
	2010/11	2011/12	2012/13
Top 1 to 25	3.7	3.6	**3.2**
Top 26 to 50	1.5	1.6	**1.6**
Top 51 to 75	1.7	1.9	**1.7**
Top 76 to 100	1.9	1.9	**1.8**

Source: BT-MDRA India's Best B-schools Survey 2013

RANKINGS DOWN THE YEARS

	2005	2006	2007
1	IIM, Ahmedabad	IIM, Ahmedabad	IIM, Ahmedabad
2	IIM, Bangalore	IIM, Bangalore	IIM, Bangalore
3	FMS, Delhi	IIM, Calcutta	IIM, Calcutta
4	IIM, Calcutta	Symbiosis, Pune	Symbiosis, Pune
5	XLRI, Jamshedpur	IIM, Lucknow	IIM, Lucknow

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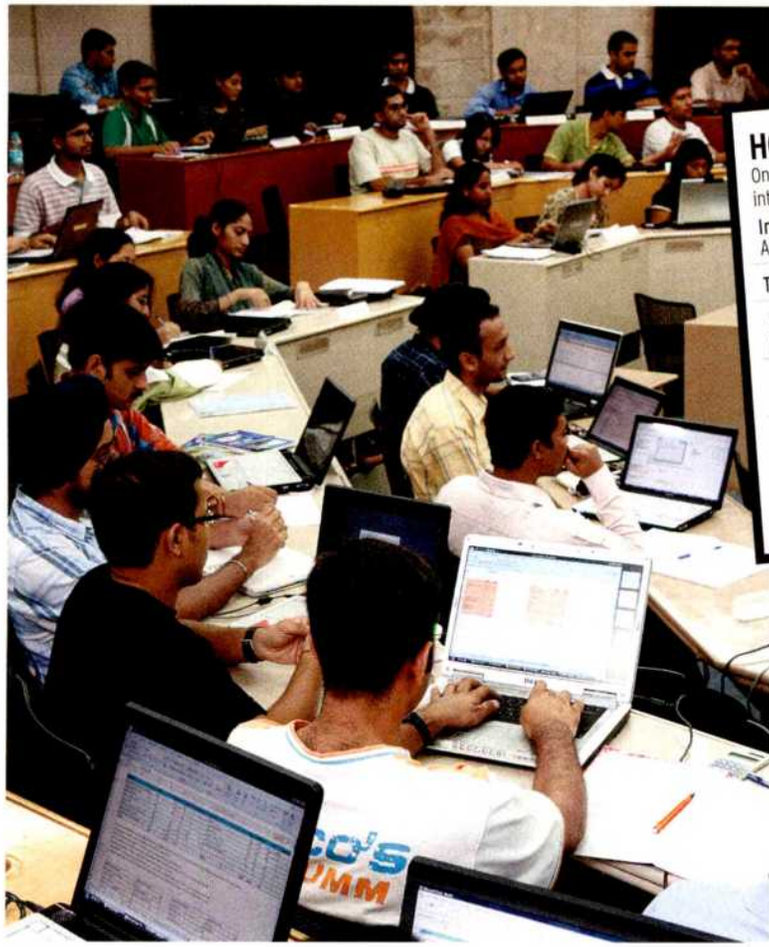
2	IIM, Bangalore	IIM, Bangalore	IIM, Bangalore
3	IIM, Calcutta	IIM, Calcutta	IIM, Calcutta
4	Symbiosis, Pune	Symbiosis, Pune	FMS, Delhi
5	IIM, Lucknow	JBIMS, Mumbai	IIM, Lucknow



S.P. Jain Institute of Management & Research, Mumbai, is up three places to #7. It is one of only six B-schools out of the top 100 with international accreditation

HOME AND THE WORLD

Only six B-schools out of the top 100 have international accreditation. They are:

Indian Institute of Management, Ahmedabad (IIM-A)	EQUIS
T.A. Pai Management Institute (TAPMI)	AACSB
Indian Institute of Management, Kozhikode (IIM-K)	AMBA
Management Development Institute (MDI), Gurgaon	AMBA
International Management Institute (IMI), Delhi	AMBA
S.P. Jain Institute of Management and Research (SPJIMR), Mumbai	AMBA

Note: EQUIS = European Quality Improvement System AMBA = The Association of MBAs AACSB = The Association to Advance Collegiate Schools of Business Source: BT-MDRA

among second generation business scions for a professional approach to management. This was unleashed by the ISB with its big-ticket Management Programme for Family Business. Today, many others, such as the International Management Institute (IMI) Delhi, have launched similar initiatives (see *All for the Family*, page 107). On page 110, read about the efforts to teach ethics to management students (*The Difficulty of Being Good.*)

Clearly, management education in India is maturing. ◆

ADDITIONAL REPORTING BY N. MADHAVAN, ARUNIMA MISHRA, JYOTINDRA DUBEY & NITI KIRAN

RANKINGS DOWN THE YEARS

	2011	2012
1	IIM, Bangalore	IIM, Ahmedabad
2	IIM, Calcutta	IIM, Calcutta
3	IIM, Ahmedabad	FMS, Delh
4	IIM, Indore	XLRI, Jamshedpur
5	IIM, Lucknow	IIM, Bangalore

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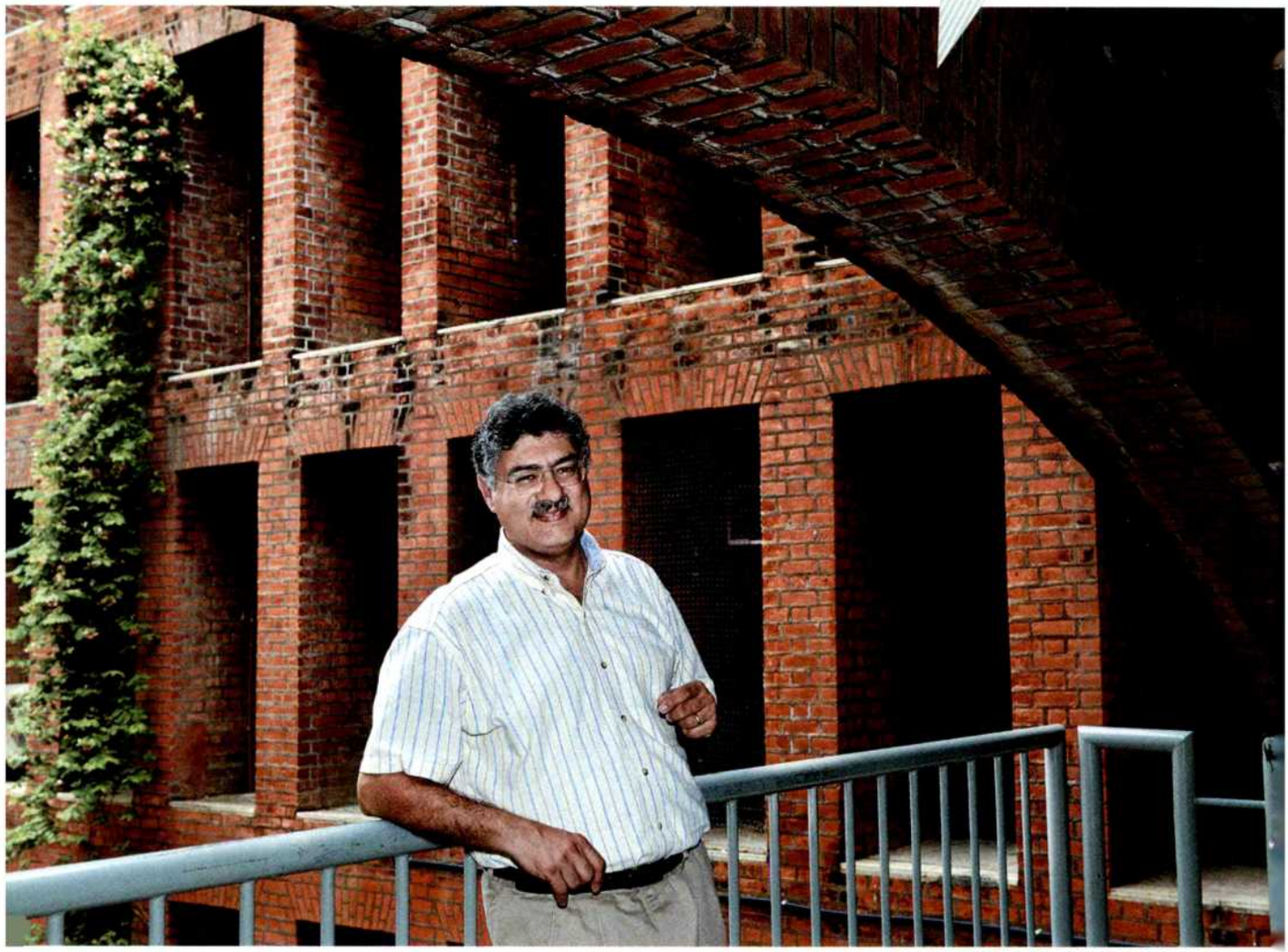
For Ashish Nanda's full interview, go to businesstoday.in/bschools2013-ashishnanda

"THE PROLIFERATION OF IIMs MAY HAVE CREATED LOTS OF SUB-SCALE INSTITUTIONS"



PHOTOGRAPHS BY SHAILESH RAVAL

ASHISH NANDA, *till recently Robert Braucher Professor of Practice at Harvard Law School, returned to his alma mater, the Indian Institute of Management, Ahmedabad (IIM-A) in early September to take charge as director. He takes over at a time when the premier management institution is facing challenges both from within and without. In an interview to* **N. MADHAVAN** *he discusses the strengths and weakness of IIM-A and his vision for the institution. Edited excerpts:*

What makes IIM-A top Business Today's B-school rankings year after year?

It is IIM-A's unwavering commit-

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ment to its values. These are to provide the best educational experience to the best students so that they can contribute effectively as leaders, managers, and entrepreneurs. Some very successful institutions tend to become complacent, and so the other element that has kept IIM-A at the forefront is that while we have revelled in our past and tried to remember what it is and build on it, we have also tried to be forward looking and future oriented in our actions, decisions and plans. This mix of building on the past but looking to the future gives the institution a dynamic strength.

But then, what has kept IIM-A from becoming one of the globally recognised institutions of management?

The Indian business environment, till a few years ago, was autarchic and we did not have very many global linkages. For several decades, IIM-A did a fantastic job of taking smart students from India and training and developing them to take on positions of significant responsibility in Indian institutions. Over time, the business environment has become more international. The educational institutions that are training people to succeed in that environment also need to have a global perspective. We need to learn the best management practices and theories on a global scale. We should learn from and engage with globally reputed schools. We should make sure we are part of the flow of thoughts, practices, and research globally. If we do some of that, given the strengths of this institute, there is no reason why we shouldn't be seen as one of the top management schools in the world. Of course, achieving this goal requires alignment and understanding amongst not only people within the institute but also critical constituencies around us which importantly includes the government, so that we have the autonomy and flexibility required to realise this dream.

What are the tasks you have set yourself at IIM-A?

My first goal is to gain a good understanding of where the institute is right now. I have been a student here and I have a great deal of respect for what we have built and I want to understand the core sources of strength at IIM-A. My initial feeling is that there are two areas where

"INDIAN INSTITUTIONS LOSE OUT BECAUSE OF LOW FACULTY SALARY"

I can contribute. One, I believe the institute is much stronger than it is globally recognised to be. I would love for it to have a presence and inter-linkages with international academics and practitioners, so that people understand and appreciate the wonderful work being done here. Academic institutions that have been truly remarkable in their performance over the long run have built on having highly motivated and energised professionals who are committed to its growth. I want to work with constituencies in the school – the faculty, staff, students – and try to nurture an environment that encourages and stretches people to contribute their best.

With emerging markets becoming an engine of growth for the global economy, do you visualise an international campus for IIM-A in the near future?

My first priority is to ensure that we have a vibrant and world-class campus here. Whether we should have multiple campuses, international or domestic, is a question we will take up in the future.

Last year IIM-A slipped in global rankings....

Some of our PGP MBA programmes' relative rankings, which are the highest among Indian schools and very high among global schools, slipped in 2012 compared to 2011. We can give various reasons for it. Some of the measures of rankings are outside our control. For instance, they look at how well graduating students have done in terms of their compensation in jobs after graduation. In India, the decline in growth rates last year had an impact on MBA starting salaries. There are also issues of the exchange rate. Also, being primarily an Indian institution with India as the core catchment area for students, we tend to suffer relative to other institutions on some measures, such as how international is your student body. Having said that, I recognise that our ranking has slipped and will endeavour to reverse what might have led to the slippage. I don't want to focus unduly on rankings. Our primary goal at the institute is to provide our students a top quality education that stands them in good stead today and over the long term. Hopefully, good rankings are a consequence of achieving this goal; they are not our goal, *per se*.

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There are calls for IIM-A to move away from an operational research-based approach to teaching...

We have to constantly renew what we offer in our courses. There are at least three different sources of renewal. One is the world of practice. We learn a lot from practice. What are the current management challenges, how are they evolving and developing? We should make sure we stay close to practice, learn from practice, and introduce some of that learning in the curriculum. Another source comes from the disciplines. We should engage with the latest research in disciplines such as economics, sociology, and psychology and the implications of that research for management practice. The third source is from within the education sector. We should learn from our students in the classroom and also remain connected with other educational institutions to learn from their experiences. From these three sources arise innovation, learning, and regeneration. We hope to continue to do that.

How do you plan to encourage research at IIM-A?

We have been committed to doing work which is of relevance and importance to practice. Some educators perceive a trade-off between commitment to good research and good teaching. Some of the best quality education occurs when you are doing high quality research that has practical relevance, and some of the best management research occurs in interfacing with practice. Some of the traditional constraints on international quality research that existed before in Indian management institutions, such as absence of hard data, or research in India not being publishable because people didn't care that much about India, are no longer constraints. The constraints now are more about how much do the academics want to engage in research activity and how much flexibility do the institutions provide them to conduct top quality research. Conveying to our faculty members that the institution truly values their doing high quality research which is of global standard and has practical relevance will have a significant impact on overall research quality and output.

Has the downturn taken a toll on your placements this year?

Being the premier management institution in India, IIM-A is somewhat buffered from business cycles. The impact of current downturn has been that our graduates may not have as much choice as they might have had before, but in terms of everyone wanting placement getting placed and getting placed in very good jobs, that has happened.

"WE CAN LEARN FROM US INSTITUTIONS ON HOW TO DEVELOP ALUMNI LINKAGES"

There are calls for IIM-A to more effectively leverage its alumni network...

I agree entirely. Our alumni are a tremendous source of strength for the institution. Having come from the US, I marvel at how wonderfully US institutions stay connected to their alumni networks. If we can learn from them and develop some of those linkages, it will be good.

Salaries have always been a constraint for attracting quality faculty...

This is a tremendous challenge. Our ambition is to be world-class. In terms of sheer quality and brilliance, we have a student body here which is comparable to the best institutions in the world. In terms of faculty and the commitment they have for the institution, it is great. But recruiting new faculty from outside is a big challenge. If we want to be a world-class institution we should be able to recruit world-class academics. One area where Indian institutions have suffered is in the starting salary package we are able to offer. If we truly want to crack this nut of becoming the top management institution in the world, we have to address this issue.

Where are the IIMs as an institution heading?

There has been a proliferation of IIMs. In some ways that is great because India is a big country and the need for high quality management education is immense. By having more IIMs, we are hopefully giving more people a better opportunity to receive high quality management education. It is also great to have the IIMs compete with one another in a friendly manner and also learn from one another. But there are economies of scale and scope in education, not just in pecuniary terms but also in intellectual terms that academic institutions need to succeed. My worry is that we might have created a lot of sub-scale institutions. If the choice is between a few institutions that are at scale and a lot of sub-scale ones, I will choose the former. ◆

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Nielsen Best Business School Survey, 2012

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All India **7th Rank** Among Top Private B-Schools
Source: MBA Universe
B-Schools Ranking 2012

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3. Duly filled downloaded application form can be sent to Admission office BIMTECH along with a demand draft of Rs. 1050/- in favour of "BIRLA INSTITUTE OF MANAGEMENT TECHNOLOGY" payable at Greater Noida/ New Delhi.

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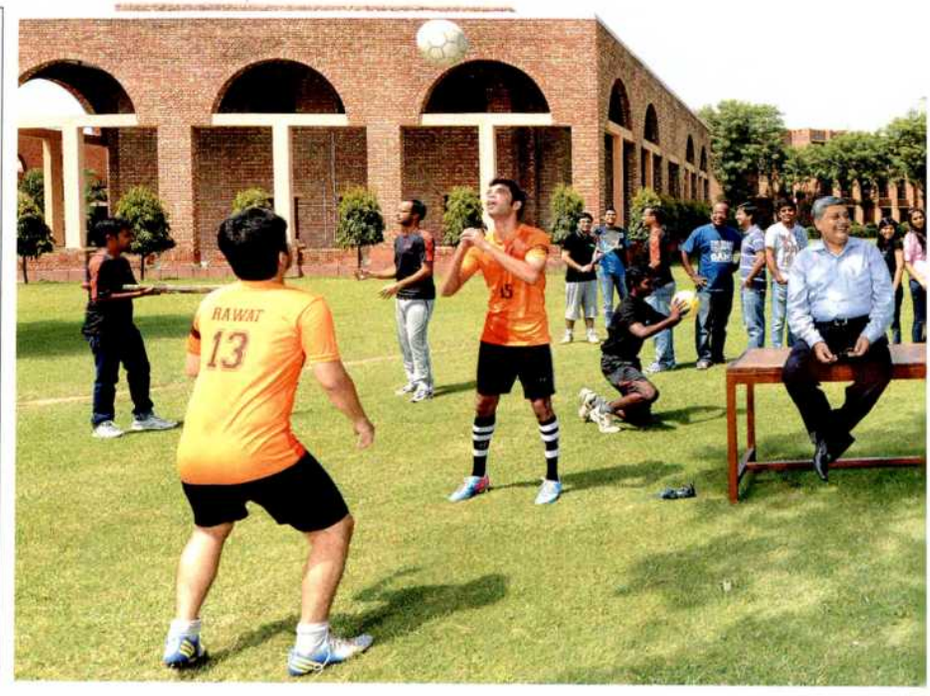
INNOVATING TO CONQUER

Flexibility and out-of-the-box thinking are key to the success of Management Development Institute, Gurgaon.

By SARIKA MALHOTRA



Ashish Gupta, 25, is a second year student at Management Development Institute (MDI), Gurgaon, pursuing a Post Graduate Programme in Management (PGPM). Simultaneously, he also runs an entrepreneurial venture with the full support of the institute. Along with a friend, he has set up 'Hug Your Roots', an e-tailing store which sells T-shirts, jackets, hoodies, mugs and caps with logos of different colleges, college festivals and sports meets. "At MDI, we have the freedom to take the entrepreneurial plunge," he says. "We have professors who have been entrepreneurs themselves, or were a part of start-ups. The experiences they share and the mentoring they give us is virtually unique to this campus."

Spread over a 40-acre campus, MDI is a green island in the concrete jungle that is Gurgaon today. Established in 1973, it began on a low key with various training, consulting and research activities, starting its first programme, the National Management Programme for senior executives, only in 1988. The first post graduate programme, the PGPM, was launched in 1994, the Post Graduate Programme in Human Resource Management (PGP-HRM) in 2004 and the Post Graduate Programme in International Management (PGP-IM) in 2006. "We were set up with government funding, but now we are in charge of our own destiny," says Mukul P. Gupta, Director, MDI. "We are an autonomous school, so we enjoy a lot of independence, and flexibility in our decision making. It gives us the bandwidth to innovate."

MDI alumni praise the institute's flexibility. Says Ajay Atreya, Vice President, TCS E-Serve Ltd, who was in the 1999 batch: "It was very encouraging as the management made an effort to learn and develop new curricula along with the students. Formal feedback sessions with students were the norm." He also notes that since Gurgaon is a

For longer version of the story, go to
www.businesstoday.in/bschools2013-mdi

MDI, GURGAON

B-SCHOOL RANKING

2013	2012
8	8

SHEKHAR GHOSH/www.indiatodayimages.com

Sense of freedom: Mukul P. Gupta, Director (seated), with students at the MDI campus

AT A GLANCE

COURSES OFFERED:
PGPM, PGP-HRM, PGP-IM

COURSE FEES:
PGPM/PGP-HRM: ₹14.91 LAKH
PGP-IM: ₹18.51 LAKH

COURSE DURATION: Two years

ANNUAL INTAKE OF STUDENTS:
PGPM: 240
PGP-HRM/PGP-IM: 60 (each)

ELIGIBILITY CRITERIA: 95%+ in the CAT

NO. OF COMPANIES THAT VISITED FOR PLACEMENTS IN 2013: 154

HIRERS INCLUDE:
American Express, Coca-Cola India, Citibank, Cognizant, Deloitte, JPMorgan Chase, KPMG Consulting, M&M, P&G

LAST BATCH AVERAGE SALARY:

PGPM	₹12.8 LAKH	p.a.
PGP-HR:	₹11.8 LAKH	p.a.
PGP-IM	₹11.7 LAKH	p.a.

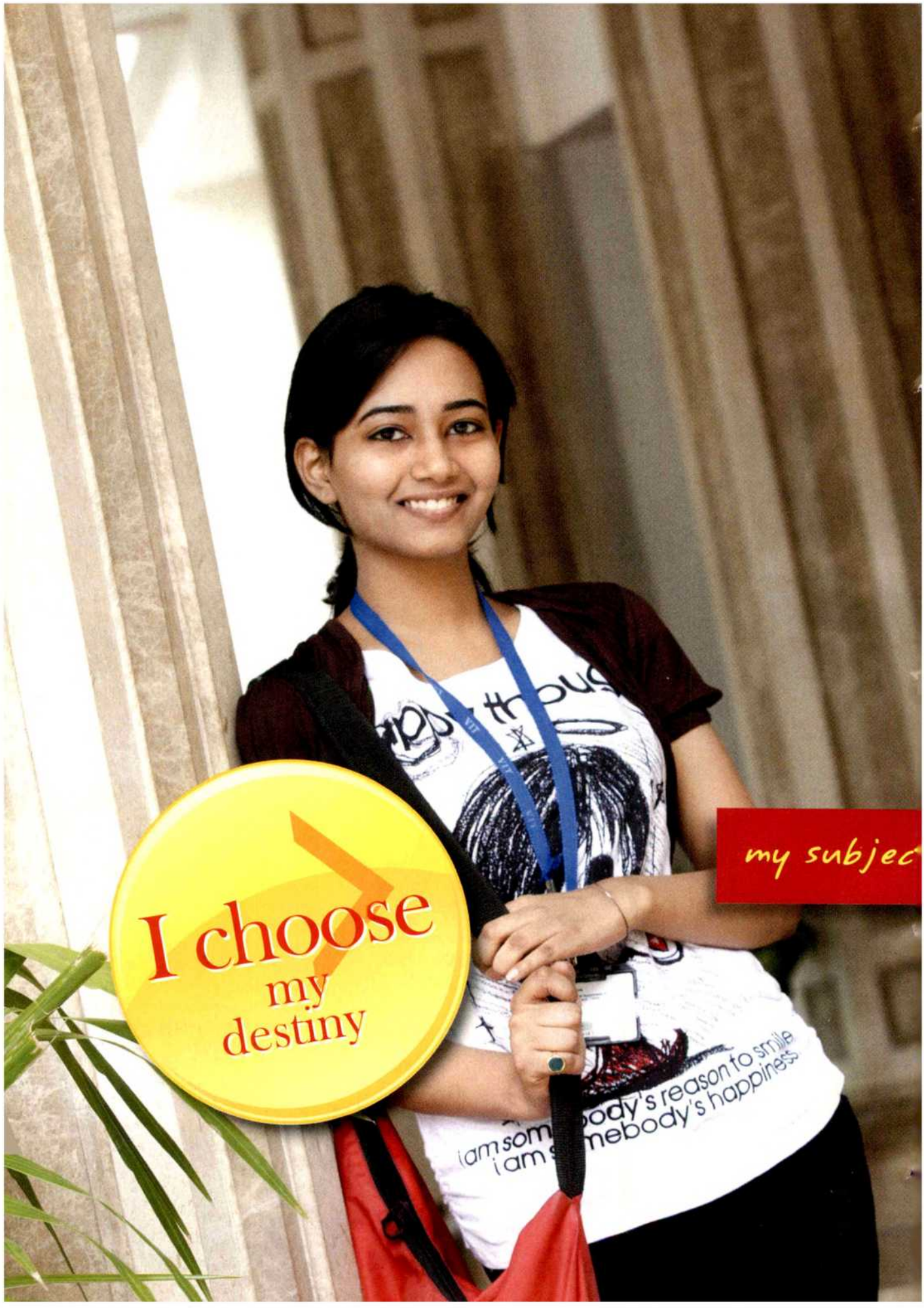
FOREIGN COLLABORATIONS 51

PGPM: Post Graduate Programme in Management
PGP-HRM: Post Graduate Programme in Human Resource Management
PGP-IM: Post Graduate Programme in International Management

manufacturing hub. MDI's location provided ample opportunities to interact with industry. "The faculty was well connected with industry, making summer placements and on-ground training in the vicinity possible," he adds.

MDI's extracurricular activities include the festival Illumina held every year, which conducts market research in the guise of providing entertainment. There is also Unnati, a mutual fund set up in 2001 and managed entirely by MDI students. With a corpus of ₹20 lakh raised from students and alumni, it maintains two funds, Diversified and Mid-cap, benchmarked to the Sensex, and the CNX-Mid-cap respectively. "I'd heard of Unnati and ever since, I wanted to be part of it," says student Soham Barman, 25, who hails from Kolkata. "It has established its brand among B-school students and also recruiters."

The current slowdown has impacted all B-schools and MDI is no exception. Ashok Panjwani, Dean, Graduate Programmes, says the institute is cushioning its impact by inviting more new companies for campus placements. For the last batch of 2011-13 students, 80 new companies came along with 74 regulars. The newcomers included the stars among e-commerce companies such as Flipkart and eBay, as well as niche companies such as Naukri.com, Bristlecone and Eli Lilly. The average annual salary for the last batch was ₹12.8 lakh in the PGPM course, ₹11.8 lakh in the PGP-HR course and ₹11.7 lakh in the PGP-IM course. The highest salaries were ₹21.8 lakh, ₹16 lakh and ₹16.3 lakh respectively. "There was a time when a student could have had five job choices, which is no longer the case," says Gupta. ◆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BACK IN THE RECKONING

IMI has risen in this year's rankings as Director General Pritam Singh aggressively pushes for change at the institute.

BY SHAMNI PANDE

ADITYA KAPOOR

B-SCHOOL RANKING

	2013	2012
IMI	10	35

The turnaround man: Director General Pritam Singh, (centre, leaning on a chair) with students, at IMI, Delhi

Frenetic construction activity is visible across the three-acre campus of the International Management Institute (IMI), Delhi. The B-school is adding rooms with "four-star facilities" for management development programmes that can house 70 managers on campus, says Pritam Singh, Director General, IMI. The institute is also building a hostel that can accommodate

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up to 200 students, he adds.

As he walks around the campus, Singh is aware of the considerable amount being spent on the expansion. But he is confident the investment he is making will bear fruit soon. For the year ending March 2014 Singh is targeting a profit of ₹9 crore, from the ₹7.21 crore notched in the last financial year on a turnover of about ₹40 crore.

Since its inception in 1981, IMI carries the mantle of being the country's first corporate-sponsored B-school. The recent expansion drive, however, is a marked departure from five years ago when IMI had turned into a rather quiet B-school in an otherwise aggressive northern region, where nearly four dozen management education institutes compete with each other to attract graduate students.

Industry is, of course, taking notice: "IMI has roped in good quality faculty in the last two years," says Ulhas Vairagkar, Director at T.I.M.E. Education, which is among the largest B-school coaching institutes in the country. "We see them fighting back." For the record, IMI has seen one of the sharpest strides upwards in *Business Today's* latest ranking of B-schools. The institute is now ranked 10 versus 35 last year.

A lot of the credit for the institute's rebound goes to Singh. A recipient of the Padma Shri, the country's fourth-highest civilian award, Singh is known as the man with the 'Midas Touch' in the education community. He is credited with turning around the fortunes of Management Development Institute (MDI), Gurgaon, and the Indian Institute of Management, Lucknow. He was director of MDI twice – first from 1994 to 1998 and then from 2003 to 2006, and he headed IIM Lucknow from 1998 to 2003. He was also dean at IIM Bangalore.

His reputation has attracted talented faculty to the campus in droves. Since he took over at IMI, 27 faculty members have joined, taking the count to 60. "I joined here because of Dr. Singh; he gives faculty members ample opportunities for development and research," says Asha Bhandarkar, who joined IMI from MDI late last year as distinguished professor. She is known as an authority in organisational behaviour and human resources, and has been a senior Fulbright Fellow at the Darden School of Business at the University of Virginia and George Mason University in the US as well as Fellow at the London Business School.

Singh is initiating some more projects. IMI plans to launch in June 2014 an MBA programme in banking and insurance for people with at least two years of experience. It plans to introduce a global MBA programme for scions of family businesses. The one-year course will cost ₹25 lakh and is slated to begin in March next year. IMI has tied up with four international institutes for the course. These partners are the Thunderbird School of Global Management, Glendale, Arizona; the Chinese University of Hong Kong; the SDA Bocconi School of Management, Milan; and Grenoble Ecole de Management, France. Singh says participants will spend six months of the course at IMI and the remaining time on the four international campuses.

What helps the institute further are its strong corporate connections. Many of its alumni hold fond memories of the campus. "I got a solid grounding here and exposure to futuristic concepts such as sustainability-oriented and value-based business," recalls Rajiv Arora, Leader - Human Resources at consulting firm Mercer.

Arun Sawhney, Managing Director and CEO at drug maker Ranbaxy, who studied at the institute in 1986, says he chose IMI because he found its corporate linkages and collaboration with renowned international institutes such as IMI, Geneva – now IMD, Lausanne – alluring. He says the teaching of Pradip K. Bhaumik, who has been with the institute for many years, still resounds in his ears. "He [Bhaumik] used to always urge us to seek solutions and tell us that our creativity should be used in that direction," says Sawhney. "That has stayed with me." ◆

AT A GLANCE

COURSES OFFERED:
Post Graduate Diploma in Management (PGDM), PG Diploma in Human Resource Management (PGD-HRM), PG Diploma in Management for Working Executives, Executive Post Graduate Diploma in Management (EPGDM), Fellow Programme in Management

COURSE FEES:
PGDM/ PGD-HRM: ₹11.85 LAKH
EPGDM: ₹12.03 LAKH

ANNUAL INTAKE OF STUDENTS (PGDM): 180

ELIGIBILITY CRITERIA:
CAT 92%
GMAT SCORE 650

NO. OF COMPANIES THAT CAME FOR HIRING IN 2012: 41

AVERAGE SALARY OFFERED IN 2012:
₹9.85 LAKH per year
Highest ₹18 lakh (domestic)

FOREIGN COLLABORATIONS:
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B-SCHOOL RANKING

TAPMI 19 (2013) 45 (2012)

TAPMI Director R.C.Natarajan (in forefront) with students

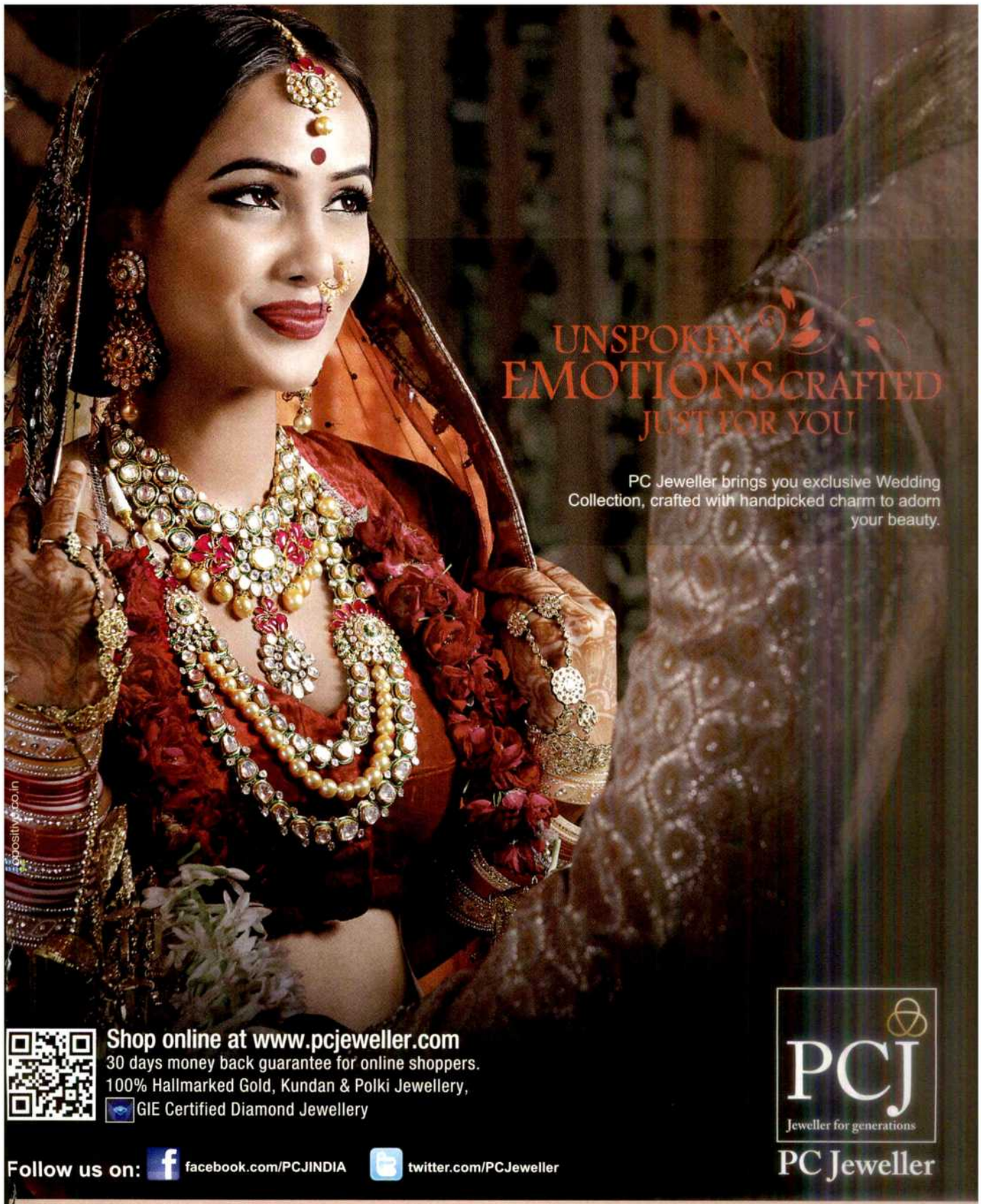
NILOTPAL BARUAH/www.indiatodayimages.com

GREAT LEAP UPWARD

T A Pai Management Institute, Manipal, has risen dramatically in the rankings this year, thanks to its persistent emphasis on quality.

By K. R. BALASUBRAMANYAM

Prasad Gopalan realised the worth of what he had learnt as a student at the T A Pai Management Institute (TAPMI) only after he began his corporate career. "I remember the first lecture I heard at TAPMI was by the then director D. Nagabrahman himself," he says. "Its centerpiece was creating new businesses. I did not understand much of what he said at the time, but began to grasp its importance after I stepped into a corporate job." The tips the director gave will stand Gopalan in even better stead in coming years, as he has quit his job as



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Chief Commercial Officer at Male International Airport, The Maldives, and is launching his own venture Cerebhyas, which will work with schools in Bangalore to strengthen the cognitive skills and intelligence quotient of children and young adults.

Gopalan's 29-year-old alma mater, named after its founder, former union minister T.A. Pai, has done significantly well in *Business Today*'s annual B-school rankings this year, vaulting from 45th place in 2012 to 19th this time. TAPMI is also one of just two Indian B-schools – the other being the Indian School of Business, Hyderabad – which are accredited by the US-based Association to Advance Collegiate Schools of Business.

"The institute has diligently worked its way up, never compromising on quality or going for scale without acquiring the capability," says Bhaskar Bhat, Managing Director, Titan Co Ltd, who has been associated with TAPMI for 15 years and is now on its governing council. Located on a 42-acre campus at Manipal in coastal Karnataka, surrounded by the evergreen forests of the Western Ghats, TAPMI is part of the chain of educational institutions set up by the Pai family. It is run by a trust led by the father-son duo of Ramdas and Ranjan Pai, who also own the business venture, Manipal Education and Medical Group, (MEMG). "The association with MEMG has helped us a great deal with our placements, in getting top CEOs to our campus, starting projects with companies and giving students early exposure to the way businesses function," says TAPMI Director R.C. Natarajan.

The average salary of TAPMI graduates rose in 2012, despite the slowing economy

TAPMI offers two courses – a two year post graduate programme in business management and another of equal duration in healthcare management. An ambitious project in the works is a collaboration with a Western university – whose identity has not been divulged yet – for another two year management programme where students will spend the first 51 weeks at TAPMI and then move, for the rest of the course, to the other university, which will award the MBA degree.

In India, candidates are known to choose B-schools based on the latter's record in campus placements, and the kind of salaries those passing out command. "All TAPMI students get job offers on campus," says Natarajan. The 245 students of the 2011-2013 batch, for instance, were placed through campus hirings last November. In all, 71 companies participated in the placements, 52 of them repeat visitors. "At a time when the economy was slowing down, the average salary of these students actually went up from ₹8.02 lakh the previous year to ₹8.72 lakh," Natarajan adds.

"TAPMI graduates come with strong grounding. Their fundamentals are sound. Our HR team has been visiting the campus regularly for many years now," says Bhat of Titan.

Students are exposed to the rigours of a corporate job early. One of the successful student initiatives, for example, now in its 19th year, relating to market research, is called BrandScan. "We do consumer research projects for about 15 companies every year. Everything is done by students from start to finish," says Natarajan.

The biggest challenge? "It is to consistently get high quality faculty and retain then," says the director. ◆

AT A GLANCE

COURSES OFFERED
PG Diploma in Management, PG Diploma in Health-care Management

COURSE FEE
₹9.90 LAKH for two years including boarding and lodging

COURSE DURATION Two years

SHORT-DURATION PROGRAMMES ORGANISED FOR
LIC, ICICI, IOC, L&T etc.

ANNUAL INTAKE OF STUDENTS 400

ELIGIBILITY CRITERIA 85%+ (in the CAT & profile based)

NO. OF COMPANIES THAT VISITED FOR PLACEMENTS IN 2012 71

HIRERS INCLUDE
Infosys, IBM, Wipro, Titan, Citigroup

AVERAGE SALARY OFFERED IN 2012 ₹8.72 LAKH per annum

FOREIGN COLLABORATIONS Asian Institute of Management, Manila; Sheffield Hallam University, UK; St.Mary's College, California, US

Source: TAPMI

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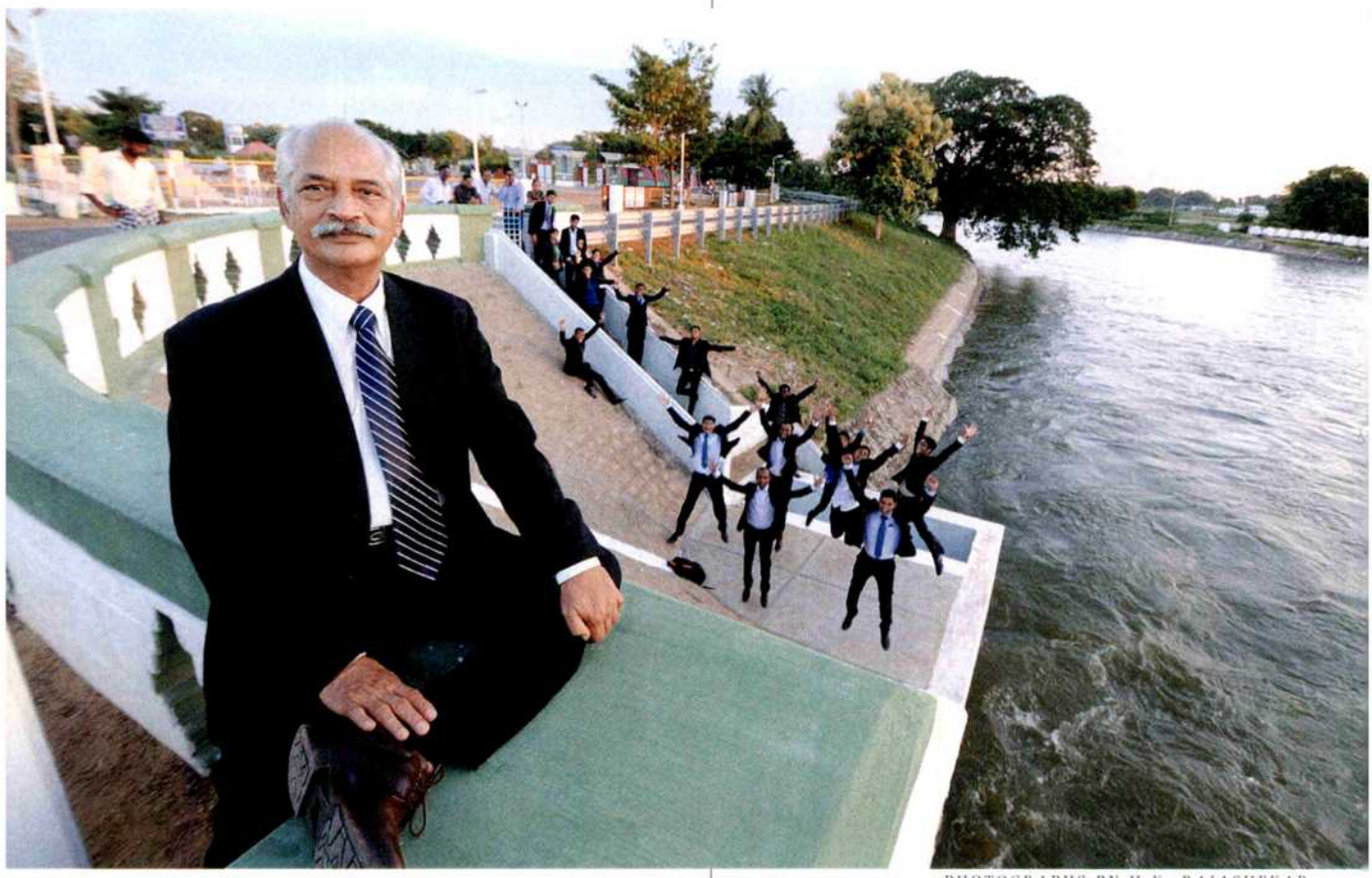
LEAN AND MEAN

Trichy-based Bharathidasan Institute of Management believes in eschewing frills and keeping close ties with industry.

BY N. MADHAVAN



PHOTOGRAPHS BY H.K. RAJASHEKAR

B-SCHOOL RANKING

	2013	2012
BIM	32	96

Close to industry: Director A. Nagarajan, with students in the background, at the BIM campus in Trichy

Frugality is the watchword at the Bharathidasan Institute of Management (BIM). Set up in 1983 at Trichy, Tamil Nadu, within the Bharat Heavy Electricals Ltd (BHEL) campus there, its buildings are bereft of frills. Nor does it have any superstar professors in its faculty. It also charges a relatively modest sum of ₹6.50 lakh for the two-year MBA programme it offers. "We can do so because we have kept our costs low," says A. Nagarajan, Director. Yet BIM's placement record is close to 100 per cent every year.

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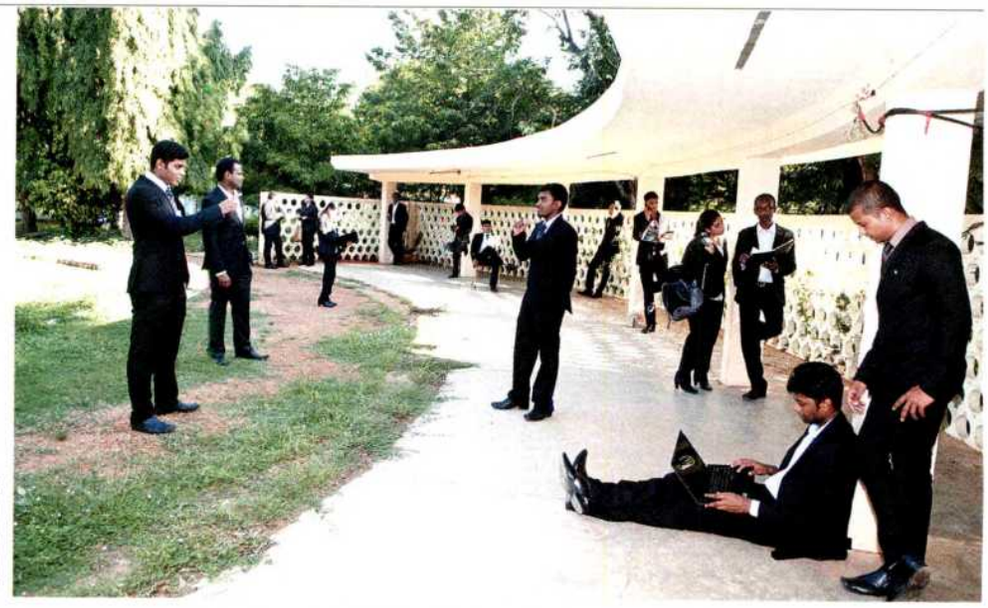

Down to earth: The teaching at BIM is aimed at producing managers grounded in reality

Companies such as TAFE, Wipro, Exim Bank, HDFC, Asian Paints and the Godrej Group recruit regularly from this institute.

BIM is located within BHEL's premises for a reason – to promote industry-management institute interface. Its curriculum too has been designed keeping the needs of industry foremost. "Our teaching is grounded in reality and this helps us to produce better managers," says M. Nagarani, an institute alumnus, who is now a staff member teaching HR. Most of BIM's 14-member core faculty has industry experience, and the entire visiting faculty is from the industry. So too 95 per cent of the students have had work experience before enrolling at BIM, a minimum of two years.

The curriculum has other interesting features. "We have, for instance, a course on ethics in governance and industry," says Nagarajan. "We get serving IAS officers to come and teach it. We teach students the importance of welfare. We also teach key subjects such as financial modeling, quality management, strategic management, logistics and supply chain management, and so on."

Though located deep in the south, BIM has almost 35 per cent of its current students hailing from north India. The average salary offered during placements last year was ₹8.16 lakh per annum, while the highest was ₹14 lakh. "The attributes we look for while recruiting are good grooming, a positive attitude and humility," says Muthukumar Thanu, Group Chief HR Officer at TAFE, which has been recruiting BIM students in significant numbers every year. "We engage with the young people at BIM through our management development programmes and other interactive forums giving them an opportunity to understand our organisation and its culture, so that when they join, they can become productive immediately," he adds.

BIM also helps industry in problem solving. "Vodafone, for instance, engaged BIM, along with IIM Bangalore, for a real life assignment to find out why more people were not adopting mobile internet," says Abhishek Kumar, who teaches Brand Management and Leadership at the institute. "Henkel India, when it owned Margo soap, offered a similar project related to possible brand extensions of the neem-based Margo."

Nagarajan sees no need to acquire a higher profile. "We don't advertise," he says. "Our alumni are our brand ambassadors. Given the response of both recruiters and student applicants to our institute, we get satisfaction from the fact that we have stayed true to our core beliefs and delivered value." ◆

AT A GLANCE

COURSE OFFERED: MBA

COURSE FEE: ₹6.50 LAKH

COURSE DURATION: Two years

ANNUAL INTAKE OF STUDENTS: 120

ELIGIBILITY CRITERIA: Graduate with 50% marks plus performance in the CAT

NO. OF COMPANIES WHICH VISITED THE CAMPUS FOR PLACEMENTS IN 2012: 42

HIRERS INCLUDE: TAFE, Wipro, Exim Bank, HDFC, Asian Paints, and Godrej Group

AVERAGE SALARY OFFERED IN 2012: ₹8.16 LAKH p.a.

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OLDEST, YET YOUNG

IISWBM, India's first business management school, continues to innovate and excel.

By ANIK BASU

Tapas Rajderkar, 49, Chairman and CEO of the $2-billion ArcelorMittal Ostrava, located in the Czech Republic, routinely meets representatives of his company's union twice a month. "A professor of mine once said industrial relations was more than just wage negotiations," he says on the telephone from Ostrava. "I remember that tip."

The professor in question taught at the Indian Institute of Social Welfare and Business Management (IISWBM), Rajderkar's alma mater and the first B-school set up in India. "European labour laws are very different from India's and not every theory I was taught at IISWBM applies here," Rajderkar, a 1988 alumnus, says. "But certainly that particular piece of advice has helped me a lot."

The seeds of IISWBM were sown in 1942, when the British government, needing qualified labour officers for its facilities, especially its ordnance factories – the Second World War was on – decided to start a social welfare training institute affiliated to Calcutta University and located close to it. Dijendra Kumar Sanyal was appointed its chief. After Independence, this evolved

B-SCHOOL RANKING

IISWBM	35 (2013)	NOT RANKED (2012)

Standing Tall: Students at Indian Institute of Social Welfare and Business Management, India's first business management school

into the IISWBM, set up in April 1953, with Sanyal as its founder-director. Last year, to commemorate the start of IISWBM's 60th year of existence, the government issued a stamp in its honour, the first such for a B-school.

But old does not mean out of date. The current acting director, Dipendra Kumar Sanyal, who serendipitously happens to be the founder's son, says the IISWBM makes a special effort to be au courant. "We have now begun a course in fire management," he says, recalling the major fires that have ravaged Kolkata in recent years. "Isn't that a socially relevant subject?" He notes that the IISWBM was first to start courses in public service management, retail management and sports management as well.

"The IISWBM is the Mecca of retail management studies," says second year student Moumita Saha. "Others are all pomp and show, there's no one else as good."

The sports management course, too, has been a big draw since it began in 2003. "Our students are today working with all major sports bodies," says Subrata Datta, Professor, Sports Management. IISWBM alumni have been employed by sports events management firms such as Tiger Sports and bodies such as the International Cricket Council and the Board of Control for Cricket in India. "I wanted a degree in sports management and was looking at Australian universities," says Tenzing Niyogi, who was part of the first batch and is now Product Head, Ten Golf. "Then I found there was the IISWBM."

Around 80 per cent of the 2012/13 batch of 156 students have already been placed, their average annual package being ₹5.25 lakh; the highest offer, of ₹8.5 lakh coming from Samsung. "IISWBM students do well over the years," says Suvrajit Ganguly, Regional Service Manager at a private sector bank, which he prefers not to name. His bank recruits regularly from the institute. Indeed, among Kolkata B-schools, the IISWBM is regarded as only second to the IIM, Calcutta. ◆

AT A GLANCE

PROGRAMMES OFFERED:
MBA, MHRM, MPSM, PGDBM, CRIMM, PGDRM, Sports Management & others

COURSE FEE: (MBA)
₹5.40 LAKH

COURSE DURATION: Two years

CAMPUS HIRERS:
ICICI Bank, Citibank, TCS, HCL etc

ANNUAL INTAKE OF STUDENTS: 156

NO. OF COMPANIES VISITING FOR PLACEMENTS, 2011-13 BATCH: 65

AVERAGE SALARY OFFERED IN 2012:
₹5.25 LAKH per annum

*MBA: Masters of Business Administration; **MHRM**: Masters of Human Resource Management; **MPSM**: Master of Public Systems Management; **CRIMM**: Centre for Research in Materials Management; **PGDBM**: Post Graduate Diploma in Business Management; **PGDRM**: Post Graduate Diploma in Retail Management

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B-SCHOOL INTERLUDE

Fresh MBAs have long been popular in India, but more and more mid-career executives are going back to school.

By ARUNIMA MISHRA

Ghanshyam Tiwari, 34-year-old former Intel employee and graduate of the National Institute of Technology, Karnataka, enrolled in an executive general management programme at the Indian Institute of Management, Bangalore (IIM-B), in 2005. Intel, where he had worked for four years, paid the ₹1-lakh fee for the six-month programme, and he attended classes on weekends. "I joined the IIM-B programme as a semiconductor engineer," says Tiwari. "I was able to conceptualise the complete business picture ... and not just focus on one function." Enthused by his broadened perspective, he enrolled in 2008 for a full-time MBA at the Kellogg School of Management in the US, and in 2011 went on to do a Masters in Public Administration, Leadership, Public

ADITYA KAPOOR/www.indiatodayimages.com

Working class: PGPMAX students at ISB's Mohali campus with visiting faculty member W. Bruce Allen (with file), who is Professor Emeritus at the Wharton School

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Policy from Harvard University. He is now a country economist with the Bihar office of the International Growth Centre, a partnership venture between the London School of Economics and Political Science and Oxford University, and advisor to the Population Foundation of India in Patna.

Tiwari's story reflects a growing trend. Interest in one-year, full-time MBA programmes for executives is surging in India. Such courses have gained momentum in the last five years. Those who enrol are typically mid- to senior-level executives, with an engineering background or some other degree, but usually no formal management qualification.

Experience and Diversity

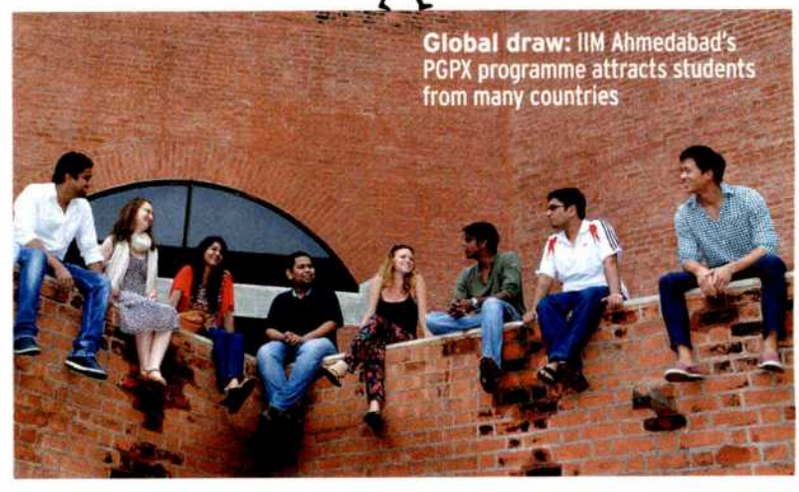
These executives bring years of experience and knowledge to mid-career management courses, and share them with peers and professors. They enrol seeking to bridge the gap between their current and desired skills, so that they can play a larger role in management or shift their career path. The sectoral mix in such courses includes industries such as airlines and travel, business process outsourcing, defence, education, energy and power, financial services, government services, health care, hospitality, infrastructure, IT, management consulting, manufacturing engineering, manufacturing processes, media, non-government organisations, retail, shipping and telecom.

The composition of that diversity is changing. Many students of the PGPMAX (Post Graduate Programme in Management for Executives) at the Indian School of Business (ISB) are from the IT and ITeS industries, but the proportion of those from other areas, such as automobile, energy, telecom, medicine, marine engineering, media and advertising, has risen from 11 per cent in 2012 to 23 per cent for the 2014 batch.

Piyush Kumar Sinha, Professor of Retailing and Marketing at IIM Ahmedabad, says: "As students come from varied backgrounds and five to ten countries, it's a platform for us to learn from them as well."

G. Shainesh, Chairperson of IIM Bangalore's executive MBA programme and professor of marketing, says his institute's 2012/13 batch had 74 professionals with average work experience of 9.5 years and average international experience of 2.7 years. The current class has 63 professionals.

IIM Bangalore started its programme in April 2009. IIM Lucknow started its 27-month Working Managers Programme



Global draw: IIM Ahmedabad's PGPX programme attracts students from many countries

SHAILESH RAVAL

SOME TOP PROGRAMMES

PGPMAX* - ISB HYDERABAD

* Post Graduate Programme in Management for Senior Executives

STARTED	2009
CURRENT BATCH SIZE	60
AVERAGE EXPERIENCE	17 years
COURSE FEE	₹30 LAKH
AVERAGE SALARY**	₹40 LAKH

PGPX* - IIM AHMEDABAD

* Post-Graduate Programme in Management for Executives

STARTED	2006
CURRENT BATCH SIZE	85
AVERAGE EXPERIENCE	10+ years
COURSE FEE	₹21.5 LAKH
SALARY RANGE**	₹16-54 LAKH

EPGP* - IIM BANGALORE

* Executive Post Graduate Programme

STARTED	2009
CURRENT BATCH SIZE	63
AVERAGE EXPERIENCE	9.5 years
COURSE FEE	₹23 LAKH
AVERAGE SALARY**	₹26 LAKH

Except for PGPMAX (ISB's course), the rest are full-time one-year residential programmes for executives. Students need to quit their job or take time off

** Before joining course in case of ISB; for other schools, remuneration after course; for IIM-A, figure reflects domestic placements only Source: Institutes

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FORTUNE INSTITUTE OF INTERNATIONAL BUSINESS

PGPEX* - IIM CALCUTTA
* Post-Graduate Programme for Executives

STARTED **2006** | CURRENT BATCH SIZE **50**

AVERAGE EXPERIENCE **8+** years

COURSE FEE **₹18 LAKH**

AVERAGE SALARY** **₹19.73 LAKH**

IPMX* - IIM LUCKNOW (Noida campus)
* International Programme in Management for Executives

STARTED **2008** | CURRENT BATCH SIZE **70**

AVERAGE EXPERIENCE **9.5** years

COURSE FEE **₹17.75 LAKH**

SALARY RANGE** **₹14-40 LAKH**

GMP* - XLRI, JAMSHEDPUR
* Global Management Programme

STARTED Late **90s** | CURRENT BATCH SIZE **120**

AVERAGE EXPERIENCE **7** years

COURSE FEE **₹14.35 LAKH**

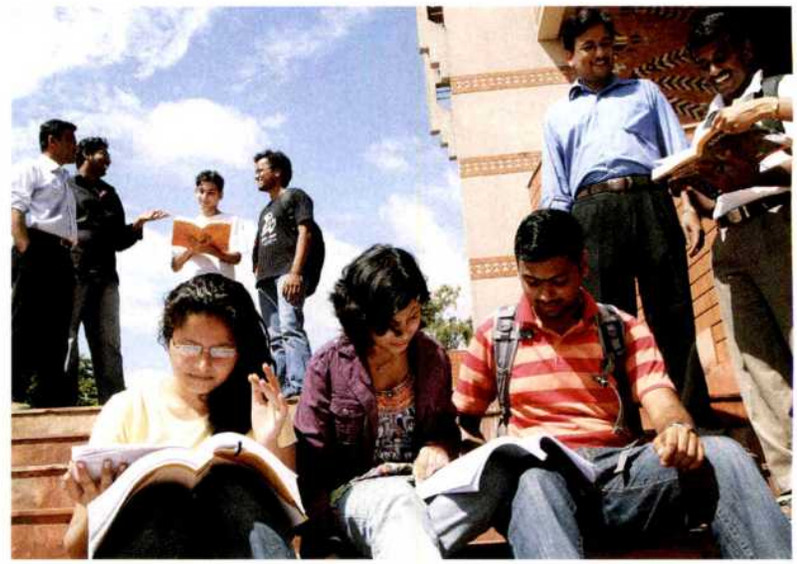
AVERAGE SALARY** **₹15.4 LAKH**

These are all full-time one-year residential programmes for executives. Students need to quit their job or take time off
** Remuneration package after completing the course Source: Institutes

(WMP) in 2005, and one-year IPMX (International Programme in Management for Executives) in 2008. The Ahmedabad and Calcutta IIMs both launched their executive MBA programmes in 2006, and ISB started its PGPMAX course four years ago.

Unlike courses abroad – especially in Europe – most mid-career MBAs in India require professionals to take a year's break from their career. ISB, which allows students of its PGPMAX to continue working, is among the few exceptions. Classes are held on ISB's Hyderabad and Mohali campuses for week-long stretches every six weeks. Seventy per cent of the students of this 15-month programme are from outside Hyderabad and Mohali. As part of the international immersion experience, they take a week of classes each at the Kellogg and Wharton schools in the US, and a week in Brazil.

Enrollment numbers have shot up. IIM Ahmedabad's 2011/12 batch had 101 students – a 13 per cent increase over the previous year. At IIM Lucknow's Noida campus, the WMP started with 60 students, and the class size is now 120. Its IPMX course started in 2008 with 45 students and now has a batch of 70.



Rising popularity: IIM Calcutta's PGPEX programme currently has 50 students, but plans to double that number in a couple of years

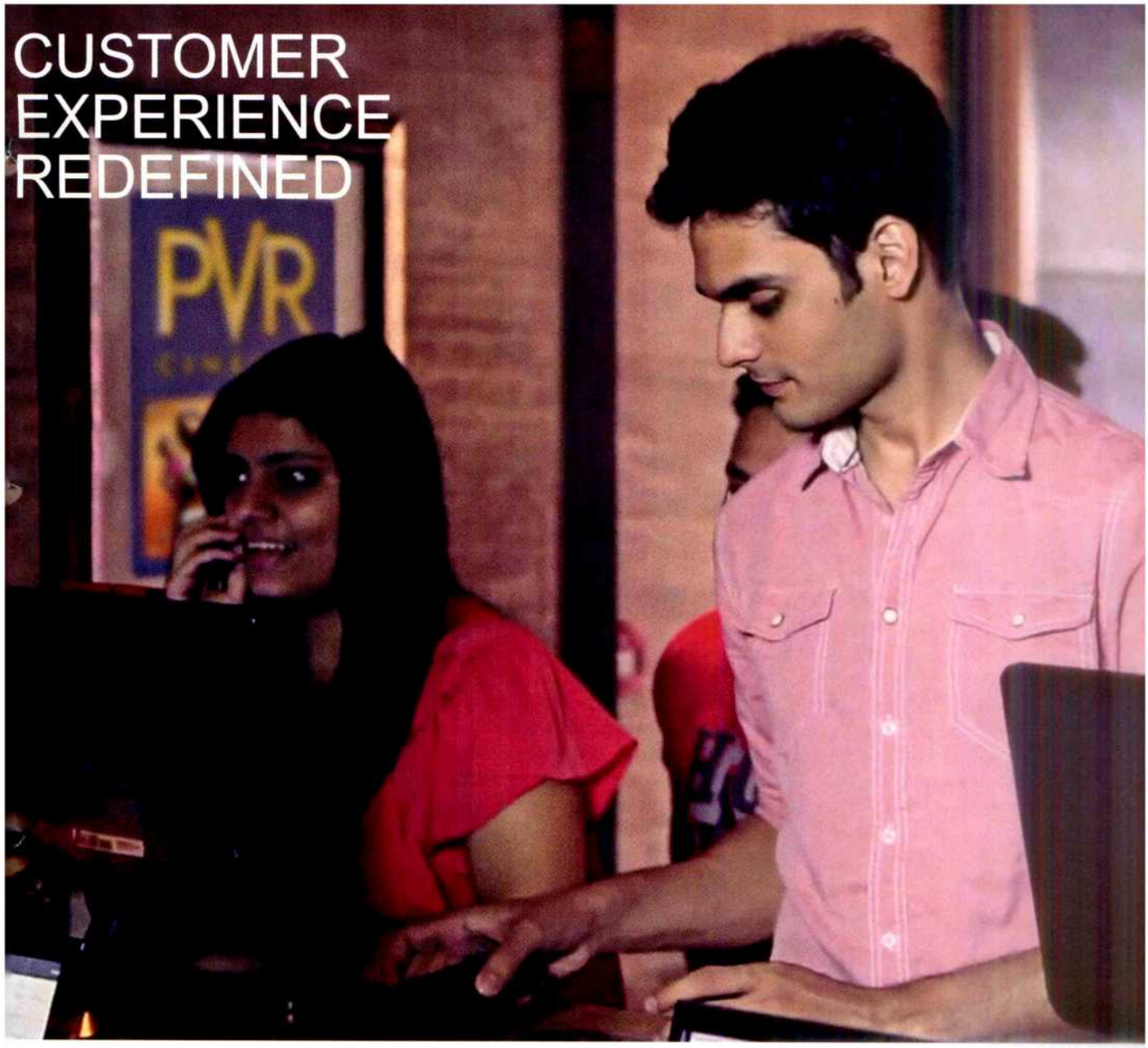
IIM Calcutta's PGPEX is preparing for expansion. Course chairperson Runa Sarkar says: "We started with a student strength of 39 in 2006. It is currently 50, and we plan to increase it to 120 once the necessary infrastructure is ready." She explains that hostel accommodation is a bottleneck. "In a year or two, we should have doubled our intake, based on demand projections."

IIM Bangalore and ISB are not expanding class size yet. ISB's batch size has remained at around 60 since the course began. IIM Bangalore's Shainesh says that his institute's executive MBA course is popular with degree-seekers and recruiters. "But we won't increase our batch size now. We want to make sure students get good training, as they have to take a year's break from work."

Return on Investment

Time was when an MBA was a must for a senior management role. Today, an executive MBA is a must. Uday Damodaran, Professor of

CUSTOMER EXPERIENCE REDEFINED



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REFRESH, RECHARGE, REBOOT

Harvard Business School's Advanced Management Program (AMP), aimed at transforming proven leaders into global executives, has become a C-suite favourite in India. Since its founding in 1945, AMP has shaped more than 21,000 executive leaders, including 307 from India. Alumni include Ratan Tata (1975), and Hindustan Unilever Managing Director and CEO Sanjiv Mehta (2004). Parthasarathy N.S., co-founder, President and COO of Mindtree Ltd, also did the AMP. The fee for the eight-week course ending October 23 is $75,000 (approximately ₹47 lakh). According to the school, its AMP was the world's first executive education programme. Here, some C-suite executives talk about their experience.

Uday Singh

MD, MOTION PICTURES ASSOCIATION, INDIA

The AMP widens your horizon. In our batch there were 160 CEOs from 44 countries. That increased the global exposure enormously. We were exposed to 132 case studies of different kinds. It was my dream to study at the Harvard Business School, and my 13-year stint with Sony Pictures helped me achieve this. What one gets out of such a programme is business expertise and global perspective to help one take one's career and organisation to the next level of success, though it was tough, with 16 hours of involvement daily. The two-month programme cost $60,000 (in 2010) – and was worth it."

Devendra Chawla

PRESIDENT, FOOD BAZAAR, FUTURE GROUP

"Learning is a life-long process, and in today's rapidly changing world, reshaping business requires leaders to stay connected to sources of learning and best practices. Such learning takes various forms – spending time with mentors, ensuring a regular reading habit, on-the-job experience and executive education. Through executive education courses such as the AMP, which I completed this year, one can broaden one's perspective, and gain insight from research and peers working in various industries across the globe."

Farhan Pettiwala

PRESIDENT, ENACTUS INDIA

"The Harvard AMP was a life-changing experience for me. In my career spanning over 22 years, I have learnt a lot, achieved many laurels. The AMP was the natural choice in 2010. I strongly believe that the programme fit very well into my educational and personal objectives. The rich set of electives, such as corporate governance, strategy and marketing, gave me a head start in my career. Working with multidisciplinary teams is routine in today's global scenario. In the AMP, I got the opportunity to interact with like-minded peers, and learn and share from each other's experiences."

Finance at XLRI, Jamshedpur, says: "These executives start working at an early age, but later realise the missing link of an MBA, when changing their domain or type of employer, say, from a public-sector company to the private sector."

Sinha of IIM Ahmedabad says: "These are specialists in their respective domains, who develop a more generalist approach after a one-year MBA like ours. Most of them change their domain after an executive MBA."

XLRI's Damodaran says applicants calculate return on investment (RoI) when deciding to do an executive MBA. "Mostly, they go back to the industry as CTO, COO, director, head of IT, vice president and so on." When weighing the benefits and costs of such a course, and the loss of income for its duration, students' calculations need to be watertight, especially if they have a family to support.

Typically, those who do MBAs after years of working seek to recover their cost in less than three years. Devendra Dwarkanath Kale, 29, joined IIM Ahmedabad's PGPX programme in 2011 and graduated in March 2012. He compared the average post-MBA salary for the past two years, with his own pre-MBA remuneration in cost-to-company (CTC) terms, and then considered his own investment. "I didn't want the payback period to exceed three years," says Kale. "The programme also helped me penetrate the consulting industry, which I was eagerly looking to do. Package-wise, I

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TOP 15 EXECUTIVE PROGRAMMES

A new ranking by *BT*-MDRA based on a survey of perceptions

RANK	INSTITUTE	PERCEPTION SCORE
1	Indian School of Business, Hyderabad	951.3
2	Indian Institute of Management, Ahmedabad	914.6
3	Indian Institute of Management, Bangalore	883.1
4	Indian Institute of Management, Lucknow	819.1
5	Indian Institute of Management, Calcutta	785.7
6	XLRI, Jamshedpur	770.6
7	S. P. Jain Institute of Management & Research, Mumbai	693.2
8	Indian Institute of Management, Indore	624.3
9	Great Lakes Institute of Management, Chennai	573.1
10	Management Development Institute, Gurgaon	492.0
11	International Management Institute, Delhi	411.9
12	Institute of Management Technology, Ghaziabad	319.2
13	Indian Institute of Management, Shillong	241.2
14	Narsee Monjee Institute of Management Studies, Mumbai	208.8
15	Welingkar Institute of Management Development, Mumbai	105.0

Survey of 300 recruiters and 110 B-school heads, for executive MBAs or postgraduate programmes of 11-15 months' duration. Source: BT-MDRA Best B-schools Survey

saw close to a 100 per cent increase in CTC."

Plenty of Demand

Recruiters are enthusiastic about executive MBAs. IIM Lucknow (Noida campus) professor Rajeev Kumra, who is Chairperson of the WMP and Co-chairman for placements, says: "The IPMX programme has seen a bigger jump in placements in the last two years than other IIMs. The Indian market is responding to one-year executive MBAs as these professionals deliver from the first day."

XLRI's Damodaran says things are still cooking. "The output has gone up, certainly, but the one-year MBA is still at an early stage," he says. "It's not as popular in India as in Europe. Once the economy improves, there will be growth."

Deepak Chandra, Deputy Dean at ISB, Hyderabad, says: "India's growth was creating demand for business leadership when there were few MBAs a decade ago. Participants put in their own investment, and at times they let go of a sponsorship as they wanted to keep their options open at the end of the course." He adds that many come to the course from senior roles in their domain of expertise.

Unlike the IIMs, ISB does not offer placement services for executive MBAs. One reason is that many participants' employers grant them time off from work so they can attend the programme. So offering placement would amount to disregard for the employer's support. Another reason is that campus placements are usually not appropriate for senior-level participants. Most mid-career MBA graduates are sought out by employers or further their careers through their networks.

Crossing Borders

Many Indians are opting for executive MBAs from B-schools in other countries, such as INSEAD in France and Queen's School of Business in Canada's Ontario province.

INSEAD offers a Global Executive MBA and the Tsinghua-INSEAD executive MBA. The programme takes place on three campuses in Europe, Asia and West Asia. "We have 25 students from India in our current programme consisting of 185 students," says Kristen Lynas, Director of INSEAD Executive Degree Programmes. The executive MBA has 19 per cent women participants and 55 nationalities. The average age is 37, and average experience, 12 years. Since 2003, when INSEAD started its global executive MBA programme, it has had 71 students from India.

Many Indian applicants favour international MBAs. One of them is 30-year-old Rahul H. Saxena, whose three years of experience in IT were not enough for a one-year executive MBA in India (they usually require seven or more years of work). He wanted to study at a global institution. He reckoned that chances of studying in the US were low, and the recession would make it hard to gain work experience there.

"I got a scholarship for 40 per cent of the course fee," says Saxena, who went to Queen's School of Business. "For the rest, I took an education loan." He says the course taught him the nuances of team-building the hard way. "The stress hones you for the better." It doesn't hurt financially, either, in the long run. Before his executive MBA, he made ₹8 lakh a year at his IT job. Now, as a management consultant with EY India, he makes ₹18 lakh.

For some, such as 32-year-old Nitin Kumar, cost is not a major concern. He was a project leader with an IT company in the US for nine years. He decided to pursue a full-time executive MBA because he had reached as high as he could go in his role.

In November 2012, he quit his $69,000-a-year (then around ₹38 lakh) job and is now enrolled in IIM Calcutta's one-year programme for executives, where the fee is ₹18 lakh. He is optimistic about returning to IT in a senior management position. "It's more like a two-year MBA, as one has to clear six terms in a year," he says. "It's worth it." ◆

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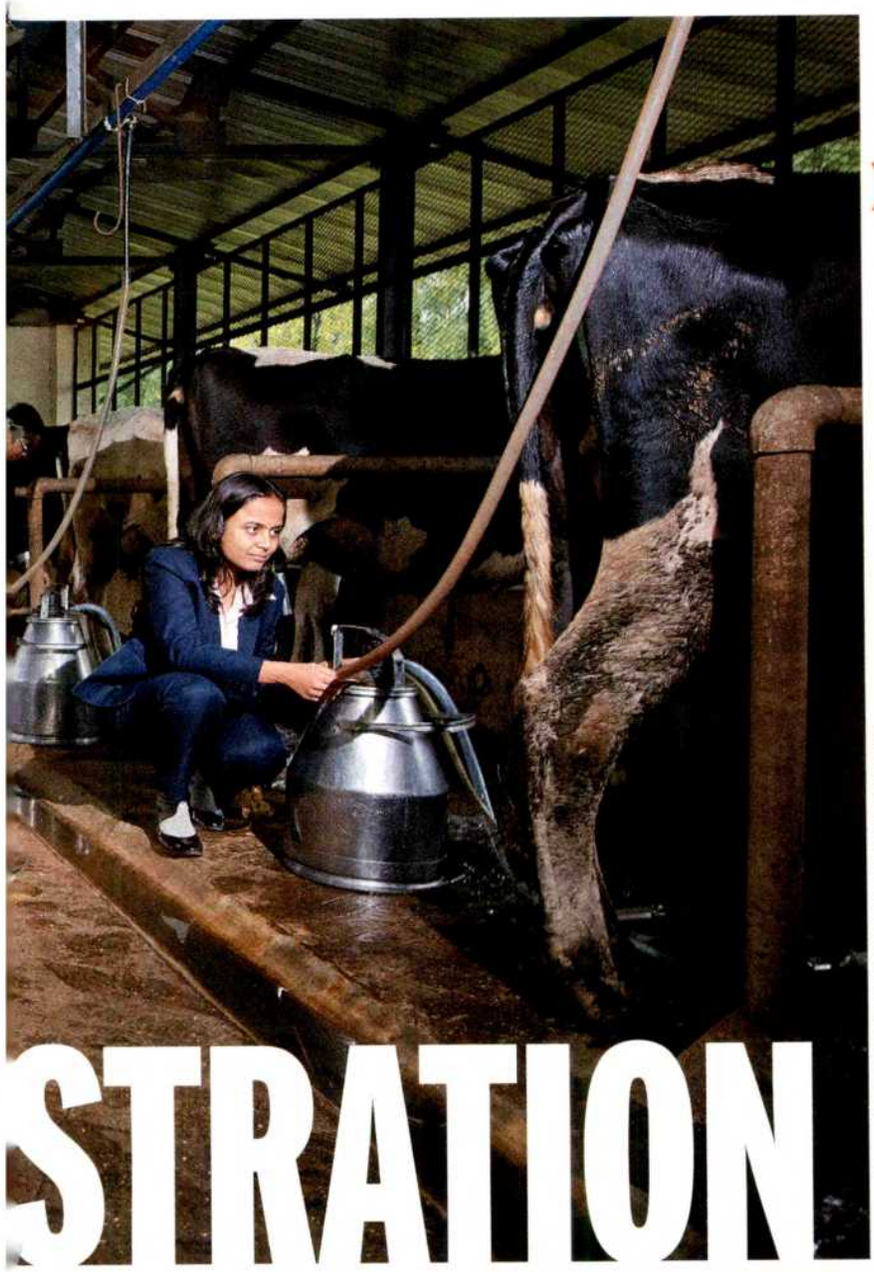
MASTER'S IN BHARAT ADMIN

India's rural sector plays a significant role in its economy, but the country is

BY N. MADHAVAN

Tholapalli is a typical Indian hamlet which lies in the heart of Karnataka's malaria belt. Floriculture is the major occupation of a dozen-odd households in the village about 126 km from Bangalore and life there is normally calm. But, last summer, the tranquillity was disturbed a bit when some students from the Institute of Rural Management Anand (IRMA) spent two months with Tholapalli villagers in an effort to understand the reality of village life.

The students stayed with village families, ate local food such as ragi balls with sambhar, slept in a community hall and many a night had snakes for company. The exercise – called the village field work segment – was part of a two-year post graduate programme in rural management. "The stay helped us under-



RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Back to Basics: Sanjeeb Patjoshi (in foreground), Director, VAMNICOM, with students in a cowshed

STRATION

not producing enough managers to manage it.

stand the psyche of the villagers. It dawned on us that most rural problems cannot be solved using a top-down approach," says Utsav Agarwal, a second-year student.

The students learned other lessons from their stay in Tholapalli. "Villagers are very smart. They do not waste anything. For everything they do, there is an underlying reason which is not taught in a book or classroom. We need to understand that to take the right decision," says Divya Bhatt, another IRMA student.

Agarwal and Bhatt are among a small fraction of management stu-

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RURAL INDIA

Has **800 million** consumers

Accounts for **50%** of GDP

Houses **70 PER CENT** of the country's population (12 per cent of the world's)

Employs **50%** of the total workforce

Accounts for **75 PER CENT** of new factories built in the last decade

Accounts for **70%** of all manufacturing jobs

Will account for **$ 100 billion** worth FMCG market by 2025 (It is $12 billion today)

Consumes **40 PER CENT** of Hindustan Unilever's products

Has the potential to add **$ 1.8 trillion** to the economy

Source: Accenture report, industry estimates

4,000
NUMBER OF MANAGEMENT SCHOOLS IN INDIA

< 25
RURAL SECTOR FOCUSED B-SCHOOLS

MANAGERS CREATED TO ACHIEVE THIS CHANGE
Less than
1,000 A YEAR

dents who have chosen to follow their heart and study rural management instead of joining more glamorous mainstream management schools. India has close to 4,000 management schools that produce over 300,000 graduates every year. But the country has less than 25 niche management schools focusing on the rural sector and most of them are government-run. Rural management schools produce less than 1,000 quality rural managers.

The small number is surprising considering the importance of the rural sector, or Bharat, in India's economy. According to a study by global consulting firm Accenture, the rural economy accounts for 50 per cent of the country's gross domestic product. It also makes up 70 per cent of the country's population and 50 per cent of the work force. About 75 percent of new factories built in the past decade have come up in rural India, which accounts for 75 per cent of all new manufacturing jobs. Since 2000, per capita GDP has grown at 6.2 per cent a year in rural India compared with 4.2 per cent in urban areas. And in terms of spending, Bharat has trumped India by a mile. Between 2009 and 2012, Indians in the countryside spent $69 billion compared with $55 billion in big towns and cities.

Harish Manwani, chairman of Hindustan Unilever Ltd, says rural India is a powerhouse with the potential to add $1.8 trillion, or the equivalent of the current GDP, to the country's economy. But this potential can be realised only if Bharat and India merge. His prescription: "We need to build a new generation of leaders and entrepreneurs from our villages who will help power the future of our nation," he told shareholders at the HUL annual general meeting last year.

India needs rural managers for another reason. The shortage of trained rural managers is forcing people with degrees in social work and related fields to take on such jobs. "Such candidates are not suited for rural management. They are welfare-oriented and what we need are people who trigger income-generating activities," says Jeemol Unni, Director, IRMA. "The country has adopted a 'rights' approach to development such as Right to Food, Right to education and so on. This calls for more rural managers."

IRMA, started by India's 'Milk Man' Verghese Kurien, has been one of the few institutions at the forefront of professionalising rural management for the last 30 years. Its two-year post graduate programme in rural management is sought after and 120 students graduate from the school every year. It had a 100 per cent placement record last year, with average offers of ₹7.09 lakh a year. The highest offer was ₹13 lakh.

IRMA is not alone. The Jaipur-based National Institute of Agricultural Marketing (NIAM) is another leading school that focuses

MINORITY REPORT

INSTITUTE OF RURAL MANAGEMENT

RANK 22

LOCATION Anand (Gujarat)

FOCUS Rural Development

COURSE
Post graduate programme in Rural Management

STUDENTS INTAKE 120

PLACEMENT 100%

AVERAGE SALARY OFFERED
₹7.09 LAKH

NATIONAL INSTITUTE OF AGRICULTURAL EXTENSION MANAGEMENT

RANK 30

LOCATION Hyderabad

FOCUS Agriculture

COURSE
Post graduate diploma in Agri Business Management

STUDENTS INTAKE 60

PLACEMENT 100%

AVERAGE SALARY OFFERED
₹7.04 LAKH

SHAILESH RAVAL

Harvest of Ideas: IRMA students on a tractor

NATIONAL INSTITUTE OF AGRICULTURAL MARKETING

RANK 36

LOCATION Jaipur

FOCUS Agricultural Marketing

COURSE
Post graduate diploma in Agri Business Management

STUDENTS INTAKE 60

PLACEMENT 100%

AVERAGE SALARY OFFERED
₹6 LAKH

VAIKUNTH MEHTA NATIONAL INSTITUTE OF CO-OPERATIVE MANAGEMENT

RANK 58

LOCATION Pune

FOCUS Co-operatives

COURSE
Post graduate diploma in Agri Business Management

STUDENTS INTAKE 50

PLACEMENT 100%

AVERAGE SALARY OFFERED
₹8 LAKH

on agricultural marketing. It isn't unusual to see a group of students from the agricultural marketing school at Jaipur's wholesale fruit and vegetable market early mornings observing an auction. Students also study ways of increasing the bargaining power of farmers. NIAM had a 100 per cent placement rate, with a top salary of ₹12 lakh and an average payout of ₹6 lakh. "Most farmers in India do not have the selling power, they lack price information and logistics which impair their decision-making," says Hema Yadav, Deputy Director, Post Graduate Diploma in Agri Business Management offered by NIAM. "Our objective is to build that capacity by developing managers who understand the issues involved on the ground."

Hyderabad's National Institute of Agricultural Extension Management (MANAGE) was the first institution in India to start an agricultural business management course in 1996. It emphasises field work and most of its students are from rural backgrounds. Its students have for years seen 100 per cent placement and the top salary offered last year was ₹18 lakh. "Our objective is to prepare students who will go out and turn subsistence farming, that we predominantly have today, into commercial farming," says Anand Reddy, principal co-ordinator, PGDABM, MANAGE.

If the Jaipur and Hyderabad schools focus on agriculture, Pune's Vaikunth Mehta National Institute of Co-operative Management (VAMNICOM) focuses on co-operatives. It aims to professionalise management of co-operatives in India where many of the 500,000 co-operatives are run with little professional skills. "Farmers cannot do everything – sourcing inputs, production, value addition, marketing and quality assessment," says Sanjeeb Patjoshi, Director of the Pune school. "Co-operatives have ensured that a farmer gets good inputs, including credit, help in marketing and value-addition, apart from assessing quality."

Mainstream management schools have not ventured into rural management for many reasons. "These courses are very niche and they call for students with a different set of attitudes. The teaching approach is also different. Most mainstream schools may not be prepared to handle such subjects," says Professor Abraham Koshy, professor of marketing at the Indian Institute of Management, Ahmedabad.

Experts say there is room for more rural management schools. "For a country of India's size and the number of problems we face, there is a need for lot more such institutions. We have IIMs in places like Kashipur and Rohtak, but they cannot deliver rural exposure that institutes like IRMA and others offer. What we need is more rural sector focused management schools there," says Hari K. Nagarajan, professor and RBI chair in rural economics at IRMA. "We need to create a lot of rural managers who are potential agents of change." ◆

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RAJ VERMA

THE WRITING ON THE WALL

The Indian Institutes of Management may still be India's best, but they badly need reforms to stay relevant and compete globally.

By GOUTAM DAS and SHAMNI PANDE

About two years ago, Reliance Industries Chairman Mukesh Ambani made his way one day into the Indian Institute of Management, Bangalore (IIM-B) to meet the faculty. Ambani, also the head of the institute's board of governors, was livid. "All of us live in a civil society. We may have differences of opinion but no one should cross the limits of civility," he told the faculty. "The entire IIM-B board is behind me and I am behind Pankaj Chandra. If anyone crosses the limit, it will be dealt with seriously."

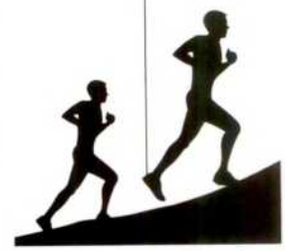
Ambani's outburst was in reaction to a vicious campaign by some faculty members against steps introduced by Chandra, then director of IIM-B, to improve the institute's functioning. A PhD from the prestigious Wharton School, Chandra had joined IIM-B in December 2007. To many he seemed the right choice to cure IIM-B of its "public-sector mentality" where faculty members were worried more about job continuity and time-bound promotions rather than teaching or research. When Chandra pushed for reforms, many revolted. Nasty, anonymous emails opposing Chandra also started doing the rounds. The email campaign ended after Ambani's reprimand. Some of the faculty members who had resisted Chandra's measures left shortly thereafter to join other IIMs.

Chandra, whose term ended in September, refused to comment on his tenure at IIM-B saying only that the opposition was a "change management issue". A senior IIM-B professor, who does not want to be named, throws more light. The professor says Chandra tried to build a vision for the institute without taking the faculty into confidence. "He (Chandra) tried to introduce a new faculty evaluation system and younger professors felt threatened," says the professor. "There was excessive emphasis on North American standards and a push to publish in North American journals. He also wanted to start a one-year management programme when the rest of the faculty felt IIM-B was not adequately prepared."

Faculty-related problems when change is introduced are not unique to IIM-B. Other IIMs are grappling with similar issues – all proposed reforms are vehemently opposed by those unwilling to change. "There is always resistance to change in any organisation," Samir K. Barua, a former director of IIM-Ahmedabad, told *Business Today* via email. He listed four challenges he faced at the institute – placing greater emphasis on knowledge creation, measuring the faculty's contribution through a formal system, aligning the goals of individuals with the goals of the institute, and using faculty time for academic activities rather than administrative work.

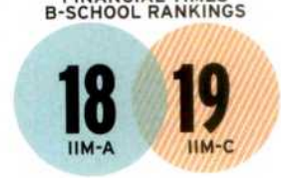
In 2010, Ajit Balakrishnan, Chairman of IIM-Calcutta (IIM-C), recommended 150 to 160 hours of classroom teaching a year – the current trend is 90 to 120 hours. He was criticised, even by IIM-C teachers. Pritam Singh, a former director of IIM-Lucknow, proposed a faculty review after every five years. "If they [faculty members] are doing well, there can be increments and if not, they should be under watch for another three years," says Singh. "There was a revolt against me. The idea was totally rejected by the faculty."

So, are our IIMs going downhill?



WAY BEHIND

FINANCIAL TIMES B-SCHOOL RANKINGS



Only two IIMs figure in FT's 2013 rankings of 70 B-schools

THE ECONOMIST MBA RANKINGS

Only one IIM figures in The Economist's 2012 rankings of 100 B-schools

'Comfortable mediocrity'

To be sure, IIMs still stack up as India's best. They occupy four of the top 10 positions in *Business Today's* latest B-school rankings. But globally, the situation is different. Only two IIMs – Ahmedabad and Calcutta – figure in the *Financial Times's* list of top 70 global B-schools offering Masters programmes in management (see *Way Behind*). According to a list pre-

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POOR GRADES

IIMs barely publish any work in A-grade journals

Source: UT Dallas' Naveen Jindal School of Management. The school measures research contributions based on publications in 24 leading journals in major business disciplines.

NON-STARTER?

A committee headed by IIM-C Chairman Ajit Balakrishnan made recommendations on performance appraisal and compensation of faculty in 2010. The report was ripped apart even by IIM-C professors

The committee recommended that each IIM set out what each faculty member proposed to do in teaching, research, or administration

The most controversial suggestion was increasing classroom teaching to 150-160 hours a year. The current average is 90-120 hours

It recommended directors forego consulting or training income. They could be paid an additional amount over their fixed pay

pared by *The Economist*, only IIM-A is among the top 100 management institutes in the world.

Clearly, IIMs have a lot of catching up to do. The institutes are relying on their past success and wallowing in "comfortable mediocrity," says a former member of IIM-B's governing board. The executive, who does not want to be named, says that, unlike many renowned global institutes, IIMs don't have a digital strategy for the future. The Massachusetts Institute of Technology has put its course material online while Stanford University students can attend a classroom session from anywhere in the world. "If you are talking of producing leaders, you need to have a view of the world five to 10 years out," he says. "That view is missing."

Many of the 13 IIMs are seen as job breeding machines. This view has gained currency after the government opened seven IIMs since 2007 in Shillong, Rohtak, Ranchi, Raipur, Tiruchirappali, Udaipur and Kashipur. Indeed, such proliferation could lead to a set of sub-scale institutions. "If you want an institution to flourish with lots of ideas, thoughts, and energy, you want a minimum number of people doing research in that area talking with one another and nurturing one another," says IIM-A Director Ashish Nanda (see his interview on page 56). "If the choice is between a few institutions that are at scale and really excellent or a lot of sub-scale institutions, I will choose the former."

While IIMs must continue to produce managers, they can be more than that. With multinational companies looking East, IIMs can play a huge role in thought leadership, formulating management theories and practices as well as local case studies. India has become an important player in the global economy and the challenges faced here are different from the challenges encountered in the US where the bulk of management theory was developed. "We may have to come up with a new or expanded version of knowledge. We have a great opportunity and it will be a pity to miss this opportunity," says Janat Shah, Director, IIM-Udaipur.

Jamshed J. Irani, Chairman of IIM-Lucknow, agrees with Shah. He says it is useless to teach case histories from Europe and the United States at IIMs because their situations are different from those in India. "We have to create our own syllabus. IIMs have been a bit slow in doing research on management in India," he says.

Executive programmes

With so many problems to resolve, why does the government not interfere in the IIMs' functioning?

IIMs are autonomous institutions registered as societies under the Societies Registration Act. The governing boards of IIMs, which oversee their functioning, have at least one representative from the Ministry of Human Resource Development. But after 1991 the government exhorted IIMs to be financially independent. The older IIMs no longer receive gov-

The number published in the last decade by IIM-A, B and C:

ernment funding to the extent they did earlier. So, they conduct short training courses for managers from companies and government agencies to earn revenue. IIMs can charge up to ₹20 lakh for 25 participants for a five-day executive programme – both the institute and the professor involved make money.

Even the best of educational institutes need funds to meet their goals. IIM-A, for instance, had no operating surplus in 2006/07 after accounting for pension liability. Its performance improved under Barua's tenure, and it achieved an operating surplus for the first time in its history in 2011. In 2012/13, it had a surplus of ₹7.6 crore.

While executive programmes are necessary from a financial autonomy perspective, they are not adding any intellectual value either to the institute, the faculty or even to participants. These courses are increasingly taking faculty time away from teaching in academic programmes as well as research, the Balakrishnan Committee noted. According to Shah of IIM-Udaipur, many professors spend about 45 per cent of their time teaching in degree programmes, 25 per cent in executive education, 15 per cent in research and 15 per cent in administration. R. Ravi Kumar, who teaches organisational behaviour at IIM-B, says these programmes are not customised as per the needs of participants. "IIMs can get managers from defence organisations but we could explain concepts from consumer goods maker Hindustan Unilever. They will not get it," he says.

A president at a European company operating in India recalls a recent incident that suggests the theories the external world picks up from IIMs can be outdated. The company hired consultants from Bain & Co and also selected IIM faculty to conduct workshops for its executives on strategic thinking as part of its leadership development agenda. "A lot of the methodology used by IIM professors was based on theoretical frameworks which is rarely applied in practice, such as the one where businesses are mapped by whether it is a Dog, a Star or a Cow, and the Porter's framework that talks about the five forces of competition," says the executive, himself an IIM-A student, asking not to be named. "In contrast, Bain had a lot of practical tools leaders could use and readily apply in their day-to-day jobs."

Faculty shortage, competition

IIMs have another problem at hand – attracting quality faculty. Ashok Banerjee, Dean of New Initiatives at IIM-C, says many professors will retire at his institute in the coming three years. In the finance department of IIM-C, 30 to 35 per cent professors will retire. But PhD scholars are hard to come by. Research programmes at Indian universities have deteriorated in recent years. "We have to depend on Fellows from other IIMs or overseas PhDs now," he says.

But IIMs also find it tough to match the salary expectations of overseas recruits. Banerjee says a PhD scholar in finance in the US starts with $200,000 salary (about ₹1.25 crore) but IIM professors get ₹18 to 20 lakh a year. "We cannot match the salary because we cannot create disparity. So, we target faculty who come back to India for some other reason," says Banerjee.

Hiring and retaining talent could become a bigger challenge in the future. In September, the gov-

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For former IIM-A director Samir K. Barua's interview, go to www.businesstoday.in/bschools2013-samirbarua

SHOULD IIMs FLIP THE CLASSROOM?

Student attention in the classroom has steadily declined in the IIMs over the past decade, says Ashok Banerjee, Dean of New Initiatives at IIM-Calcutta. "Earlier, if I asked students to read a case study before coming to the class, 90 per cent of them would have read it. Now, only 60 per cent read it," he says. One of the challenges before IIMs, he says, is to engage students more inside the classroom. The 'flip' method of learning, tried out by Stanford professors in its School of Medicine, could be a solution. The method changes the traditional classroom lecture model – lectures are pre-recorded and students go through videos at home while physical classes are reserved for interactions and problem-solving. "You have to use technology in a big way. The conceptual part of a course can be pre-recorded. The class should only be about discussions," Banerjee says. Will the IIMs flip?

ernment allowed foreign universities to set up campuses in India independently. If the world's best B-schools set up shop, and, to be sure, that is a remote possibility as of now, good teachers will have options. As for students, they already have multiple options. They can study abroad where schools typically provide a wider global perspective of business. There are options within India, too. Many engineers wish to go for an MBA after gaining a few years of work experience, and some companies such as Piramal Enterprises have tied up with B-schools such as the S.P. Jain Institute of Management and Research for management courses for their employees. "IIMs are losing some good candidates to alternative MBA programmes," says Srinivas Chunduru, President of Group Corporate Strategy and Human Resources at Piramal Enterprises.

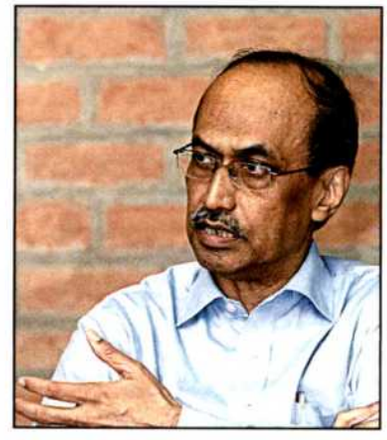
The road map

So, what should IIMs do to prepare for the future?

Depending on who you speak to, the to-do list can range from three simple points to 21 pages, much like the Ajit Balakrishnan Committee report. There is consensus that IIMs must press ahead with more research and publications in top journals to establish thought leadership. This could mean freeing up teachers' time from administrative work. Some IIMs have started linking promotions to research output. The institutes also need to hire more people with industry experience. An example is Prakash Bagri, who quit chip maker Intel as its marketing director for South Asia. He is now a guest lecturer at IIM-A, IIM-B and IIM-C.

The pay scales of professors also need correction. "If you want a good professor, you need to pay him reasonably well," A.M. Naik, Chairman of IIM-A, said at a recent press conference. "When students graduate at the age of 23 or 24 from IIMs, the minimum salary they draw is ₹19 lakh. And the top 10 to 20 per cent get more than ₹1 crore. And what are you paying to your very experienced professors? This is the fundamental issue that needs to be addressed," he says.

> "There is always resistance to change in any organisation"
>
> **SAMIR K. BARUA, FORMER DIRECTOR, IIM-A**



A more difficult task would be to build emotional quotient in students. The executive from the European multinational quoted earlier says students his company hires from IIMs are not as good at networking as his foreign MBA recruits. Building emotional quotient will help students become team players. IIMs, he adds, need to increase the global mix of talent to help students better understand cross-cultural relationships required in multinational companies.

The institutes must also push through reforms in teacher evaluation. Otherwise, complacency could set in. Complacency in education, writes Hamish McRae in his book *What Works: Success in Stressful Times* is a catastrophe. He says even in Harvard, arguably the world's best university, teachers do not take their jobs for granted. "There is the outside scrutiny of appointments with young junior professors knowing that the odds of gaining a higher position are against them, for there are always several good candidates for each tenured post."

That's what IIMs must strive for to stay relevant and become a more competitive place. ◆

ADDITIONAL REPORTING BY N. MADHAVAN, SUPROTIP GHOSH, ARUNIMA MISHRA AND ANIK BASU

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EMPTY CHAIRS

Research into business holds little appeal. B-schools are struggling to find suitable people to occupy research chairs.

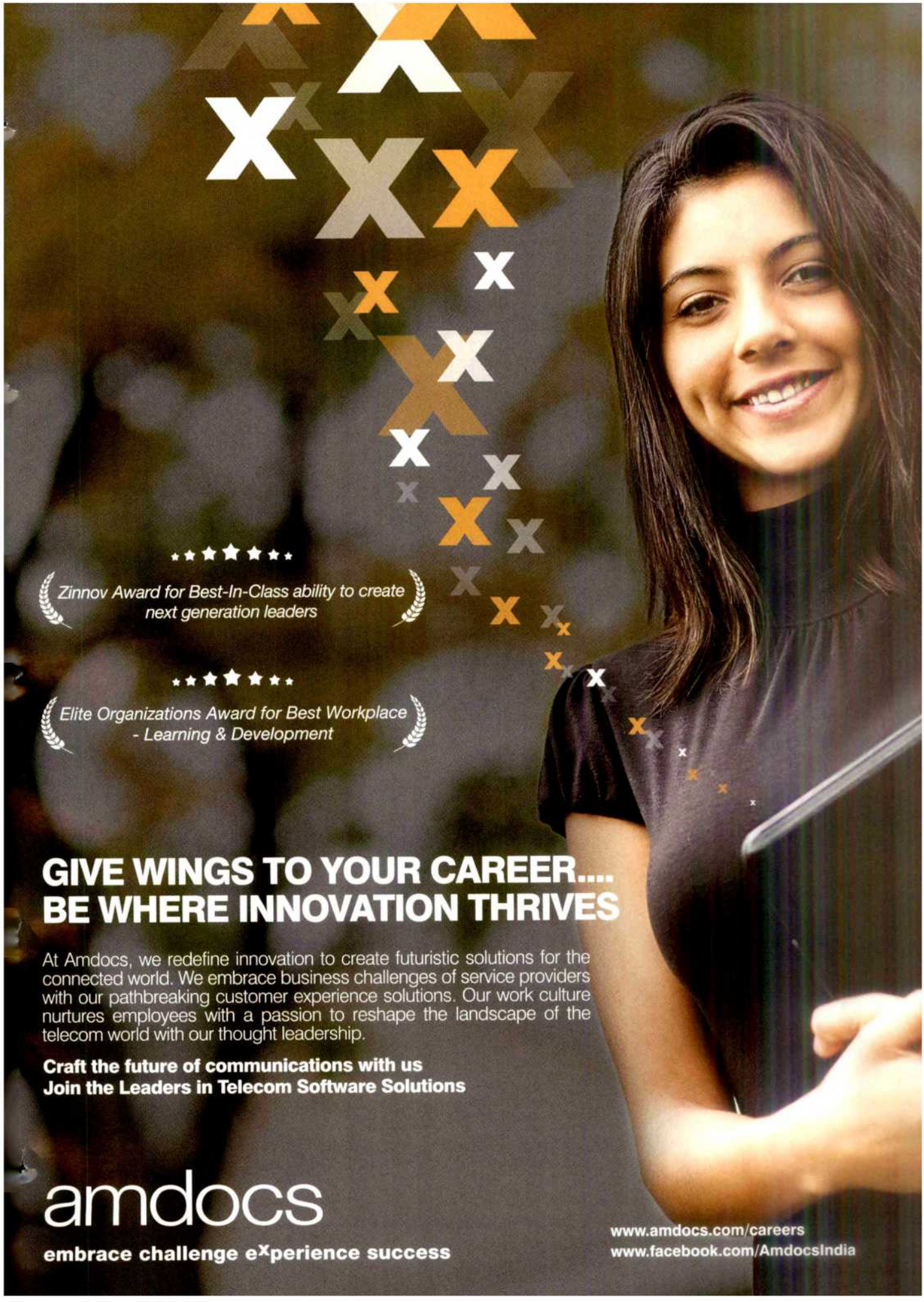
BY SUPROTIP GHOSH

Arjun Chathukutty is a 26-year-old student at Mumbai's Shailesh J. Mehta School of Management (SJMSOM). He is specialising in operations research for his management degree. He loves the subject, but isn't so sure about taking up a career in research. "It takes a long time to get into," he says.

Chathukutty's response is typical. Research in management holds little appeal in India and several sponsored research chairs at business schools are lying vacant. The ICICI Chair at SJMSOM has not been filled for almost five years. "We don't get top talent from India," says Gajendra Adil, head of SJMSOM, which is part of the Indian Institute of Technology, Bombay. "We are still primarily teaching institutions. Then there is corporate training. There is relatively little time for research."

It's the same story at many leading business schools in India. Sponsored research chairs, considered the pinnacle of an academic career, are on the rise. But business schools are struggling to find suitable people. The Indian Institute of Management, Ahmedabad, has been looking for someone to fill a chair created by the Reserve Bank of India for a while. "Applications we get from India are basically junk," says Ajay Pandey, who was acting director at the Indian Institute of Management Ahmedabad, before Ashish Nanda took over in August.

Typically, chairs at universities are platforms for research, often funded by alumni. Apart from being a badge of honour for academics, they also provide extra support and resources for university faculty to delve into new areas. In the United States, alumni donate millions of dollars to fund research chairs at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An alumnus of IIT, Bombay, he has the management school at IIT Bombay named after him, for his generous contribution to its setting up. He is Founder and Managing General Partner of Granite Hill Capital Partners, an India-focused private equity fund. He was formerly Chairman and CEO of Providian Financial Corp, as also General Partner with Invesco funds and Operating General Partner of Sequoia India.

Thomas Schmidheiny

His great-grandfather owned a brick factory, his grandfather worked in cement. When Thomas's father, Max, carved up his estate in 1984, Thomas got Holcim, the world's second-largest cement company He stepped down as Chairman in 2003, but still holds 20 per cent of the company. He also owns wineries and a hotel. He sponsored the Thomas Schmidheiny Chair for Family Business and Wealth Management at ISB, Hyderabad.

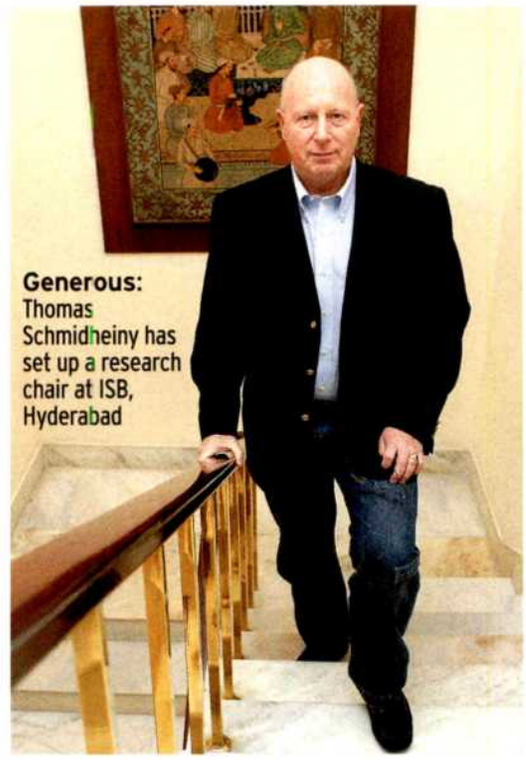
Chandrika Krishnamurthy Tandon

The sister of PepsiCo chief Indra Nooyi, she was the first Indian woman to become a partner at McKinsey & Co. A renowned singer as well, her album "Soul Call" was nominated for a Grammy in 2011. She sponsored the Chandrika Krishnamurthy Tandon Chair Professorship In Entrepreneurship And Innovation at the Centre for Innovation, Incubation and Entrepreneurs (CIIE), IIM Ahmedabad, her alma mater. She runs investment firm Tandon Capital Associates.

their universities. And given the successful track record of chair professorships in the United States, experts say they are useful in India as well. "Research chairs in business institutions are a phenomenal innovation by US universities in the field of cultivating alumni relations," says Vijay Govind-arajan, Earl C. Daum 1924 Professor of International Business at the Tuck School of Business at Dartmouth College.

But India is a bit different. Research chairs here are sometimes also funded by large corporations. "It is very rare in the US for someone to establish a chair at a university where he or she has not studied," says Govindarajan.

Sandvik Mining India, for example, supports a chair at the Indian School of Mines (ISM), Dhanbad. It was instituted by Olof Faxander, President and CEO of Sandvik Mining. The chair has enabled substantial work by Indian researchers on safety in mines, environmental factors affecting mining and rock mechanics.



Generous: Thomas Schmidheiny has set up a research chair at ISB, Hyderabad

"Sponsorship of research chairs facilitates dedicated study in areas of interest to the company. The findings are more comprehensive and authentic than some of the prevalent means of research today," says Soumitra Banerjee, President, Sandvik Mining India. Sandvik Mining is considering setting up a B-school chair too.

Much of such research may be too arcane for a general audience, but it is useful for industry. For example, Kavil Ramachandran, Thomas Schmidheiny Professor of Family Business and Wealth Management at the Indian School of Business, Hyderabad, has analysed the effect of acquisitions by Indian conglomerates on stock prices of smaller companies owned by the same group.

One reason for the lack of interest in research chairs in India is their unattractive pay packets. The Indian Institute of Management Calcutta is trying to work around this with a scheme for foreign faculty to teach just 15 hours in a fortnight, all expenses paid, and spend the rest of their time on research. Ashok Banerjee, Dean, New Initiatives and External Relations, IIM Calcutta, says the aim is to increase collaboration among faculty and encourage re-

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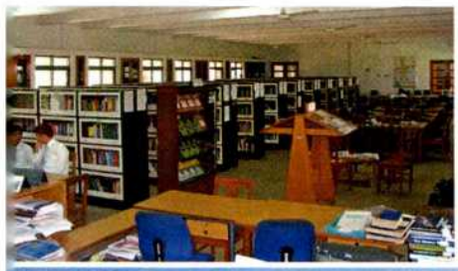

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"Research chairs in business institutions are a phenomenal innovation by US universities in the field of cultivating alumni relations"

VIJAY GOVINDARAJAN, EARL C. DAUM 1924 PROFESSOR OF INTERNATIONAL BUSINESS, TUCK SCHOOL OF BUSINESS, DARTMOUTH COLLEGE

search. But he adds "salaries can't be matched" with overseas payments. (See also *The Writing on the Wall*, Page 96).

Money is not an issue for IIM Ahmedabad. Samir Kumar Barua, its 10th director, raised the level of funding by ensuring an investment of at least ₹4-5 crore for each chair to run effectively. Returns of about ₹20 lakh from these funds are used to sponsor chair professors. But even that is no match for the multi-million dollar grants that US universities draw. The Tata Group, for instance, gave Harvard Business School $50 million in 2010. "No Indian institution has that kind of money," says Pandey.

Ramachandran at ISB suggests offering other incentives to attract people. "A way out is to hire younger people as chair professors and fast-track their careers, much like what large corporations do for future CEOs," he says.

Not surprisingly, not much research is published in India. Still, some young Indian professors have been carrying out serious research in business and are being published in mainstream foreign journals. Chitra Singla, Associate Professor of Business Policy at IIM Ahmedabad, for instance, will soon have her paper, "Family Firms and Internationalization-Governance Relationships: Evidence of Secondary Agency Issues", published by *Strategic Management Journal*. It is one of 45 journals used by the *Financial Times* for its business school research ranking. "It is very difficult to get published in American journals," says Varadraj Bapat, who teaches at IIT Bombay.

One reason for the lack of interest in research at business schools is the unattractive pay packet that comes with it

Is it going to get any easier to get professors to fill these positions? Govindarajan says it will be tough. But others are more hopeful. Pandey says if professors such as Singla keep publishing, in four to five years they will be in a position to take up chair professorships.

It's a long wait, but hopefully not a futile one. ◆

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Fresh perspective: Among the 300 students in SPJIMR's course is 23-year-old Devish Gala (centre), whose family owns Navneet Education Ltd

NISHIKANT GAMRE/www.indiatodayimages.com

ALL FOR THE FAMILY

Customised courses are addressing growing demand from family-run businesses.

BY E. KUMAR SHARMA

Neha Gupta is enrolled in a 16-month course at the Indian School of Business (ISB), but she won't be looking for a job when it's over. The 23-year-old and her 44 classmates are all from business-owning families. "None of us are looking for a job at the end of the course, which is why the focus is not on marks," she says. "The interest and motivation is for what we can learn and re-create in our business."

She is part of the founding class of ISB's tailor-made programme for family-run businesses in India. She is the daughter of Rajinder Gupta, Chairman of the Ludhiana-based $1-billion (₹6,272 crore) Trident

Group, whose interests include terry towels, paper and chemicals. She has a master's degree in finance from the Cass Business School, London. She expects the ISB course will build her ability to make decisions, decentralise work, and professionalise her family-run business.

ISB started the course, called the Management Programme for Family Business, on August 10 at its Mohali and Hyderabad campuses, to meet a growing need. "Indian and emerging markets mostly have family businesses... in the Asian context, the family business person is often the chairman," says Kavil Ramachandran, Thomas Schmidheiny Chair Professor of Family Business and Wealth Management at ISB.

He says over 70 per cent of India's top 500 companies by revenue are family-run. The proportion could be over 80 per cent in the top 1,000, he adds, as smaller businesses tend to be family-run. Even among big companies, the number is substantial: half of the top 50 companies are family-run. "There is a need to inculcate professional management capabilities in the family members of such a business," he says.

Students in ISB's programme gain global exposure through study with international faculty, study at the Kellogg School of Management in the US, and visits to Africa, Europe and China. Classes are held for a week, every sixth week.

ISB is not the first to offer a family business programme. The S.P. Jain Institute of Management & Research, Mumbai, has been running one since 1997, and the Narsee Monjee Institute of Management Studies (NMIMS), Mumbai, since 1999.

S.P. Jain's ₹9-lakh, 18-month post-graduate programme started out with 16 students. Today it has 300. Among them is 23-year-old Devish Gala, whose family runs Navneet Education Ltd, a listed company formerly called Navneet Publications (India) Ltd. It was founded by his grandfather and brothers in 1959 to publish educational books. Today its business includes digital learning products and school management services. "In 12 months, when I hope to play a role in our family business, I would like to be involved in spotting and developing opportunities," says Gala.

Parimal Merchant, Director of the S.P. Jain institute's Center for Family Managed Business, says the course is constantly evolving. "Today, for instance, family businesses do not just deal in family money – they have to learn to manage outside funds... We are therefore looking at newer models of financing, and VC and PE funds," he says.

Merchant was recently in Karachi, Pakistan, where his institute and the local Institute of Business Administration jointly offer an "Owner Manager Programme", for people between 45 and 75 years old, who wish to be better equipped to do business in a changing climate.

Since such courses are not regular MBAs, their structure and selection process are different. For instance, S.P. Jain's Owner Manager Programme holds classes for one-and-a-half days a month, for 12 months. "We launched it in Pakistan in October last year, and now we plan to take this to South Korea, Saudi Arabia, Indonesia and Vietnam," says Merchant.

In its 18-month programme in Mumbai, classes are held for a week, every fourth week, so students can spend the rest of the month managing their business. The head of the family business, usually the student's father, is expected to visit campus at various points during the course.

The selection process for such programmes is different from conventional MBAs. At ISB, instead of the GMAT, applicants take a Business Admissions Test. Admissions also depend on their knowledge of their family's business and their leadership potential there. ◆

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- Narsee Monjee Institute of Management Studies, Mumbai

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RAJ VERMA

THE DIFFICULTY OF BEING GOOD

Leading B-schools are using tools such as role-playing in the classroom to prepare students for the ethical dilemmas of professional life.

By E. KUMAR SHARMA

Abhijeet K. Vadera often asks participants at workshops he conducts to falsify billing hours for clients. No, he doesn't train them on how to cook books or commit frauds. The assistant professor of organisational behaviour at the Indian School of Business (ISB), Hyderabad, actually teaches business ethics to management students. And the workshops are role-playing exercises, which he believes are far more effective than boring classroom lectures on ethical behaviour and morals.

Here's how it works. Vadera starts by asking the participants to assume the role of executives at a consulting firm. He asks them to respond to some emails. One of these emails, from their make-believe boss, informs them that their billing hours are falling short of the required levels and they need to falsify the billing hours for the period. "Following the exercise, we spend a lot of time discussing why people responded the way they did," says Vadera. The discussion in-

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DANESH JASSAWALA

"As such ethics is not about right and wrong. It is about the values which are held supreme and the code of conduct to be followed"

BALA KRISHNAMOORTHY, ASSOCIATE DEAN AT NMIMS, WITH HER STUDENTS

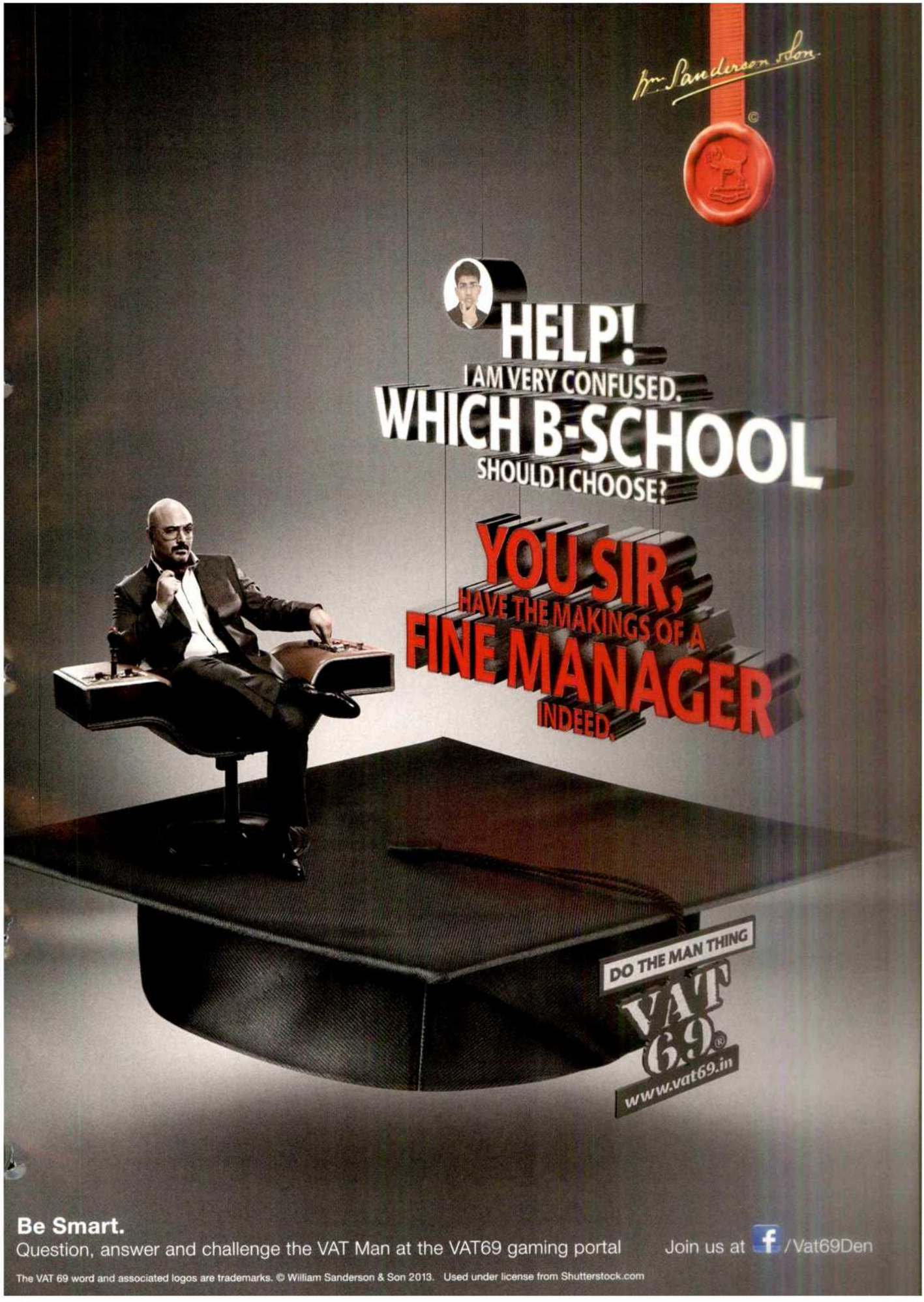
cludes topics such as the role of social networks in influencing ethical behaviour, and the short-term versus the long-term benefits of ethical and unethical behaviour. "We talk about pre-empting some ethical dilemmas which participants are likely to face after graduation," he says. "We also discuss the biases people have and talk about ways in which these may be eliminated."

B-schools have been offering courses in business ethics for many years. But their effectiveness is in doubt more than ever given the rise in the number of corporate scandals and frauds globally in recent years. India's biggest corporate fraud at Satyam Computer under its founder B. Ramalinga Raju hasn't faded from memory yet, while scandals involving multinational companies such as Barclays Plc, Goldman Sachs and former Mckinsey managing director Rajat Gupta have put the spotlight back on business education and ethics.

In such a scenario, top B-schools are increasingly using innovative tools like role playing, audio-visual case studies, and even theatre workshops to teach ethical conduct. As against the standard methods of teaching marketing, accounting and strategy, the aim of the new tools B-schools are deploying is to seek greater involvement of students in a topic that may otherwise seem less important than the functional subjects. Besides ISB, some of the other B-schools that are using new methods to teach ethics include the Indian Institutes of Management, Management Development Institute (MDI), Gurgaon, Mumbai's Narsee Monjee Institute of Management Studies (NMIMS) and S.P. Jain Institute of Management and Research.

The effectiveness of courses in ethics at B-schools is in greater doubt than ever

Bala Krishnamoorthy, Associate Dean and professor of strategy at the School of Business Management at Mumbai's NMIMS, paints different scenarios before her students while teaching ethics and asks them to come out with decision points. She then asks some of the students to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"We talk about pre-empting ethical dilemmas which participants are likely to face. We also discuss biases people have and ways in which these may be eliminated"

ABHIJEET K. VADERA, ASSISTANT PROFESSOR, INDIAN SCHOOL OF BUSINESS

role play or enact a situation and asks others to observe them. Later, she reviews the entire sequence of events with the students and discusses the decisions.

Krishnamoorthy uses other methods as well to teach ethics. One of them is showing relevant films. She often uses a problem-solving method called fish bone exercise, wherein a set of students provide their views for others to reflect on, about the film. "As such ethics is not about right and wrong. It is about the values which are held supreme and the code of conduct to be followed," she says.

J.L. Gupta, professor of Human Resource Management at MDI, Gurgaon, also deploys role-playing techniques and conducts theatre exercises in a compulsory course for graduate students. To analyse the concept of greed, for instance, students enact Russian writer Leo Tolstoy's acclaimed short story *How Much Land Does a Man Need*, in the form of a play. Or, to discuss the importance of honesty, students enact *Namak ka Daroga* (or *The Salt Inspector*) by Munshi Premchand. These exercises typically last for half an hour, says Gupta.

The ethical dilemmas are not just about situations in corporate life. Faculty members need to display ethical behaviour outside the classroom as well, says Sourav Mukherji, Associate Professor at the Indian Institute of Management, Bangalore (IIM-B). Mukherji, who teaches organisational behaviour and human resource management, has been involved in business ethics education first as a student, and then as a teacher, since 1998.

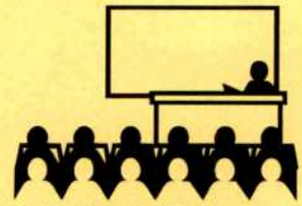
Do these courses in business ethics and the new methods teachers use at B-schools really help the students? Management graduates say the new methods can at least get students to start thinking about the ethical dimensions of their behaviour. "These measures can make students aware and help them understand the impact of their decisions," says Abhishek Hemrajani, 31, who graduated from ISB this year and is now a programme manager at the Microsoft India Development Center in Hyderabad. Hemrajani – who, among other things, handles privacy and compliance aspects related to products – and seven others in his class were so influenced by a workshop conducted by Vadera that they formed a forum on ethics in business and got people from industry to talk to them on these issues.

Jay Gandhi, who graduated from Mumbai's S.P. Jain Institute of Management and Research this year, says the mandatory course in business ethics he took in the first year of the two-year programme has helped him deal with ethical situations better. The course was taught in a unique manner, he says. "For instance, we had a visual case study of the movie *The Insider* and workshops thereafter," he adds. (*The Insider* is an Oscar-nominated American movie about a whistleblower in the tobacco industry.) Gandhi, a Mumbai-based associate consultant at Tata Strategic Management Group, the management consulting arm of the Tata group, says the definition of ethical behavior is simple: "Doing the right thing when no one is watching."

ISB graduate Hemrajani says ethics and morals are a matter of personal choice. "But if your decisions are going to impact several other people and organisations then you better be careful," he adds. That's a piece of advice B-school graduates and future managers cannot afford to ignore. ◆

BACK TO MORAL SCIENCE

Some of the leading B-schools offering courses on ethics in business



- Indian School of Business, Hyderabad
- S.P. Jain Institute of Management & Research, Mumbai
- Indian Institutes of Management at Ahmedabad, Bangalore and Kolkata
- Narsee Monjee Institute of Management Studies, Mumbai
- Management Development Institute, Gurgaon

Tools deployed

Role playing, simulation excercises | Theatre and films | Case studies and their analysis

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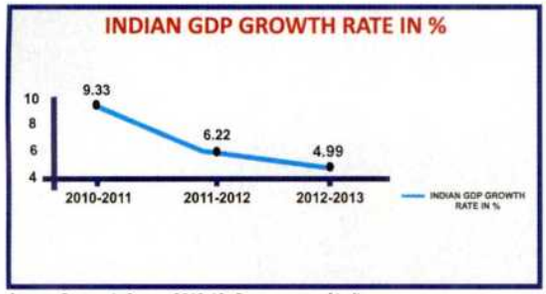

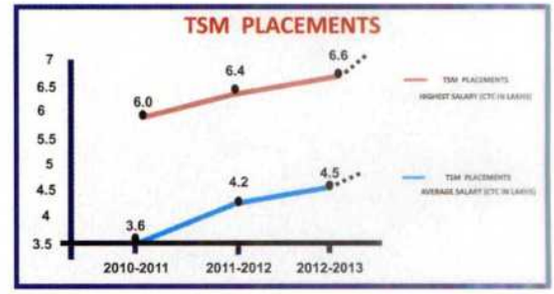

Source: Economic Survey 2012-13, Government of India

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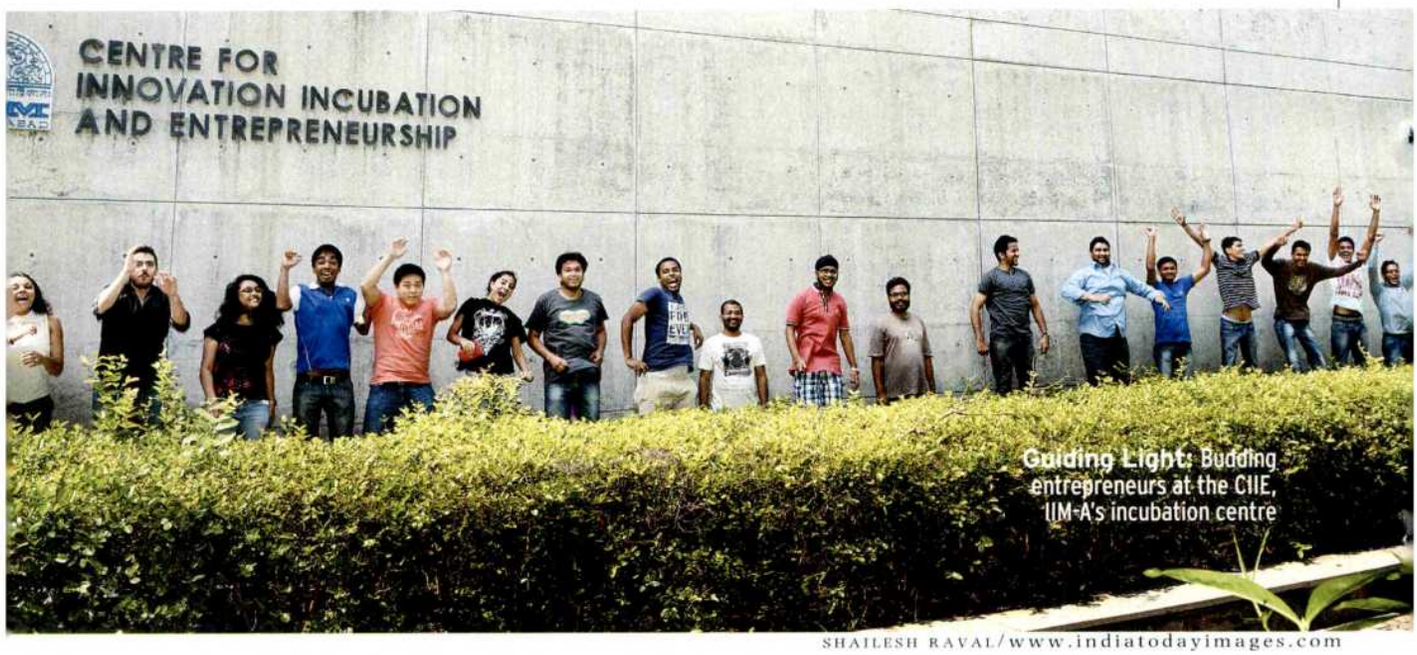
START-UP FACTORY NO. 1

IIM-A's incubation centre stands out for its sector-specific focus and readiness to acquire equity in the start-ups it backs.

By TASLIMA KHAN



Guiding Light: Budding entrepreneurs at the CIIE, IIM-A's incubation centre

SHAILESH RAVAL/www.indiatodayimages.com

It is a friendly, nurturing environment at the Centre for Innovation, Incubation and Entrepreneurship (CIIE), the Indian Institute of Management, Ahmedabad's unit for mentoring start-ups. Nalin Avasthi, founder of Mayavi Communications, an email-security solutions company, has been here for two years, trying to get his start-up off the ground. He is still struggling to find customers, but the CIIE is helping him in every respect, and he remains hopeful. After all, video communications start-up VMukti Solutions, also mentored by the CIIE, took more than two years to get off the ground but has since acquired more than 100 clients, including Google and some state governments. "Brand IIM-A worked for us in getting initial customers," says Hardik Sanghvi, CEO of VMukti Solutions.

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Amarjit thought he could get away.....

Amarjit was not brilliant in academics, however he was street smart & a go-getter.

Being the eldest from a knitwear trade family in Ludhiana, Amarjit was clear that he was not going to continue in the family business.

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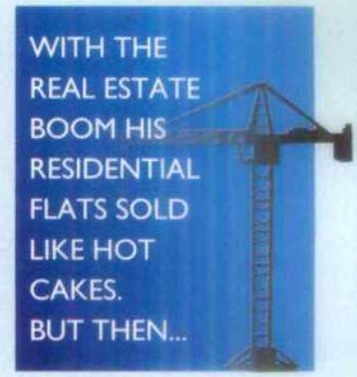
The Service Tax collected was coolly pocketed by Amarjit and was transformed into a shiny new maroon four wheel drive. The apple of his eyes ! He had always been overconfident and he was sure he could get away with it.

Over-confidence shattered

In March 2013 he realized that the Service Tax that he had billed customers was easily traceable by the tax authorities and that he was under the scanner.



Cases where service tax was to be paid with retrospective effect and with interest & penalties came to his notice. The world was suddenly bleak for Amarjit. He would have to sell his four wheel drive and more with the penalties and interest.

A God send

The VCES amnesty scheme was a golden opportunity. Amarjit thanked his stars. He **logged onto** www.cbec.gov.in and understood the simple procedures. He had a few doubts which were clarified by the nodal officer for VCES in Ludhiana. He made his truthful declaration for the period October 1, 2007 to December 31, 2012. He was assured that there would be no interest, no penalties and no proceedings.

The apple of his eyes was safe and he could breathe freely again !

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There are also Mohit Rangaraju and Arpita Kapoor from Gwalior, who together recently founded gaming company Mech Mocha. But they will not be at the CIIE for more than four months. They are part of a bunch of youngsters being mentored under iAccelerator, which focuses solely on ventures in information and communications technologies.

The CIIE was set up in 2002 as a research institution, with a grant pool from the Gujarat government, the Department of Science and Technology (DST) and IIM-A. It turned into a full-fledged incubation centre in 2007, when it was incorporated as a Section 25 – or non-profit – company, a legal requirement for incubators. Since then, it has mentored 68 start-ups.

"Most start-ups fail not because of technology failures, but due to wrong management decisions," says Kunal Gupta, CEO, CIIE. "One of the key reasons the CIIE was set up was to help them make the right ones." He is an IIM Ahmedabad alumnus who let go a lucrative career in financial services to encourage start-ups. Harkesh Mittal, Secretary, Technology Development Board, DST, agrees. "While incubators in technology institutions such as IIT Bombay or IIT Madras have an edge in technology, management institutions score better on business models," he says.

So what sets the CIIE apart? A key feature is that, unlike most other incubators, it has created specialised programmes to suit different sectors. While iAccelerator supports mobile and internet start-ups in a four-month long programme, Infuse Ventures helps clean-tech focused efforts, and has a physical incubation programme that can go on for two or more years. This is because companies in IT and mobile or those that are internet-based can take off more quickly with lower capital than those in clean tech. Similarly all initiatives to support start-ups working in the health and education sphere are grouped under Aarohan Ventures.

GENEROUS SUPPORT

CIIE ACTIVITIES IN A NUTSHELL

NO. OF START-UPS IN WHICH CIIE HOLDS EQUITY: **68**

TOTAL AMOUNT INVESTED: **₹9.1 CRORE**

SECTOR SPECIFIC FOCUS

- **iAccelerator:** backs information and communications technology start-ups
- **Infuse Ventures:** backs energy & clean technology start-ups
- **Aarohan Ventures:** backs social start-ups in education and healthcare

BEYOND THE CAMPUS

- Holds entrepreneur-mentoring workshops in eight cities under the programme **MentorEdge**
- Works with Goa-based incubator **CIBA**
- Setting up incubator in Jaipur called **Startup Oasis**

A second distinctive aspect is that the CIIE is self sustaining. Incubators help start-ups devise effective business plans, but often themselves need external support to keep going. The funding to build their infrastructure, offer soft loans or acquire equity in the start-ups they back usually comes from grants by different institutions. The Technology Development Board, for instance, invests around ₹30 crore in 20 incubators every year. "We expect most incubators to meet their own costs, either through rentals or through returns on equity in start-ups, at the end of three to five years. However, the CIIE is among the very few incubators to have done it," says Mittal.

Instead of depending entirely on government grants, the CIIE has been active in reaching out to corporate houses and other agencies for sponsorships to back its programmes. Tata Communications, Verisign and Nokia, for instance, have been regular sponsors of iAccelerator. The Piramal Group has been sponsoring the Piramal Prize for selecting and incubating health-care start-ups, while the Asian Development Bank backs the clean-tech boot camp. "Sustainability is not an issue for us any more," says Gupta.

Again, many incubators, while offering guidance, shy away from actually investing in start-ups, but not the CIIE. "We are internally debating whether we should raise funds or invest in start-ups," says G. Sabarinathan, Chairperson, N.S. Raghavan Centre for Entrepreneurial Learning (NSRCEL), the incubator at IIM Bangalore which acquires equity in exchange for offering rental space, not funding. "Funding is what venture capital funds and angel funds do best, not academic institutions." Mittal at the DST differs. "There could be conflict issues, such as an incubator seeking financial returns, instead of soft incubation, but investment by incubators also increases their own expertise and raises their stake in the companies in which they do so."

The CIIE, however, sees no dilemma. It has invested in all the 68 start-ups it mentored, putting in a total of ₹9.1 crore. It has even made some profitable exits, such as from Innoz Technologies, which enables SMS-based search, and which delivered a 5X return. It expects to do more of the same in the future.

In IT and communications start-ups, the ones mentored by iAccelerator, the CIIE usually invests between ₹2 and ₹20 lakh for a seven to eight per cent stake. Its investments in clean technology start-ups are much higher, between ₹50 lakh and ₹5 crore, but have also been the most successful. One stand out success is Ecolibrium Energy involved in smart grid technology to monitor power usage by large power consumers. Founded by brothers Chintan and Harit Soni, the start-up has more than 90 paying customers.

Another is Chennai-based Aspiration Energy, which produces solar water heaters. Indeed, in May this year, the CIIE launched a separate ₹125 crore fund, Infuse Ventures, exclusively for clean energy start-ups. "Clean tech start-ups are much more capital intensive and risky. This is one sector where there is no point incubating unless you are investing as well," says Gupta.

One of the biggest achievements of CIIE is that around 80 per cent of the start-ups it has supported have gone on to raise follow on funding. They include Innoz Technologies, which raised funding from venture firm Seedfund, traffic-monitoring system company Birds Eye Systems that raised funding from Indian Angel Network and Mind Edutainment, which develops thinking skills in children, from Accel Partners. (In comparison, NSRCEL, the second most successful IIM incubator in this respect, has seen only 11 of the companies it backed obtain similar funding.)

The CIIE has made some profitable exits, such as from Innoz Tech, with 5X returns

The CIIE has also forged partnerships with numerous organisations, both within the country and without, to further help its start-ups. In partnership with a German company GIZ, for instance, it runs a programme called MentorEdge, which consists of holding workshops in eight different locations, together with local NGOs and government departments, to train entrepreneurs. Again, the US venture firm Village Capital, during an acceleration initiative it took from May to July this year, providing grants to social start-ups, has funded the CIIE backed Edsix, which provides education in the garb of entertainment and iKure, which is into healthcare, giving them ₹25 lakh each.

It also helps other incubators such as the Goa-based Centre for Incubation and Business Acceleration (CIBA), to identify the start-ups deserving of support. It is working on setting up a separate incubator called Startup Oasis in Rajasthan, in partnership with the Rajasthan State Industrial Development and Investment Corporation.

Overall, however, incubation in the country has still a long way to go. Of the 4,000 odd business schools, only a handful have paid heed to the need to nurture entrepreneurs. "For more than a billion people, we don't have more than 110 incubators. China has 800, Taiwan has 400, Korea has 430, US-Canada have 1,300, Brazil has 380," says Dinesh Awasthi, Director at Entrepreneurship Development Institute at Ahmedabad. Their success rate is also relatively low. "Most incubators manage one success story or two in 10 years," Awasthi adds. ◆

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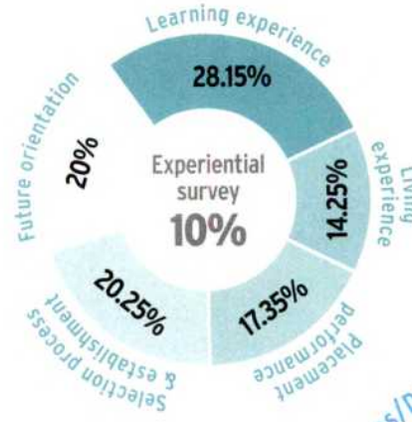
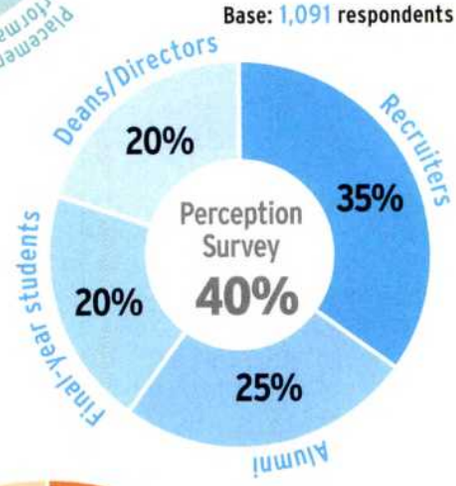


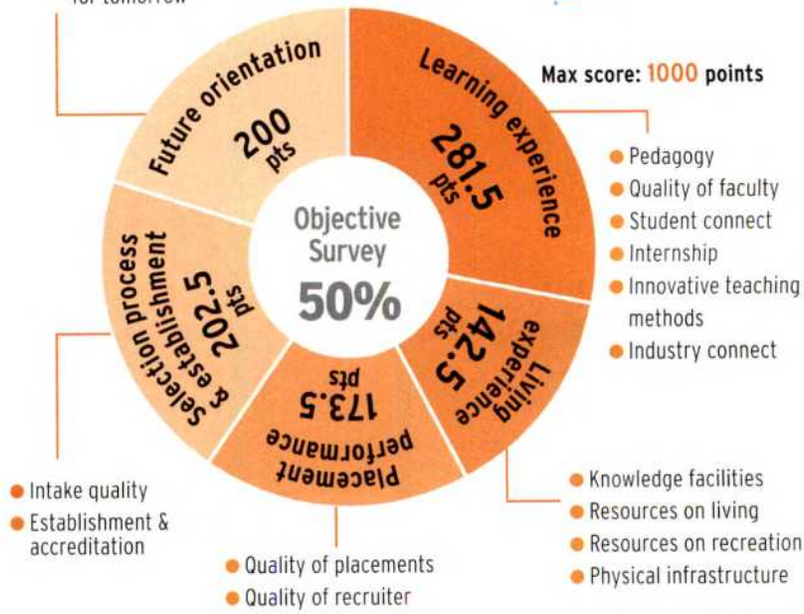
THREE IN ONE
The parameters and weights of the three surveys

THE THIRD DIMENSION

The *BT*-MDRA Best B-schools ranking is based on three separate surveys – objective, perceptual, and experiential. Add to it an unprecedented physical audit of data and the first-ever ranking of executive programmes. We have a unique and varied offering this year.

By ALOKESH BHATTACHARYYA





Since it started in 1998, the *Business Today* Best B-schools survey has seen four distinct avatars. Last year, we continued two powerful surveys to come up with something that was extremely robust and balanced. An objective survey that ranks B-schools based on data they submit, combined with a perception survey, which ranks B-schools based on opinions of key stakeholders such as teachers, students, recruiters, and others. This was an evolution from our earlier approaches of using one of the two methods – objective or perception.

This year, we have added a new facet – called the experiential survey – in collaboration with our knowledge partner, Delhi-based market research firm, Marketing & Development Research Associates (MDRA). The experiential survey brings in the views and experiences of alumni. The idea was to capture the merit of a business school based on how its alumni have fared in the job market. This is a unique facet that has not been captured before in B-school surveys in India, and adds a whole new dimension to the ranking process.

The current methodology, therefore, is the most complete that has been devised so far. The objec-

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AQT

Note: In accordance with Supreme court order "Ragging" is strictly prohibited and considered a punishable offence in our Institute.

tive survey tells us what kind of facilities and track record each B-school has. The perception survey tells us what key stakeholders feel about various B-schools. And the experiential survey gives us the real deal – have the facilities and the reputation contributed to the students being satisfied in their jobs?

What's New

We've made some other significant changes, too, in the survey this year.

Executive ranking: Till last year, our survey would combine two-year and one-year programmes into one, unified ranking. However, given that one-year or executive programmes are markedly different in nature and in scope, we decided to delink them from the ranking of the basic, two-year MBA programme. Accordingly, a new ranking has been introduced this year, that of one-year executive programmes. This was reached on the basis of a perception survey only, but one in which the colleges were not required to participate. Only the opinions of recruiters and deans/directors of leading B-schools were sought.

Scoring system: In the objective survey last year, schools scored zero on sub-parameters where they did not provide data. It led to some good schools scoring low on some parameters. This year, MDRA devised a unique statistical formula to normalise the data for parameters where schools did not give data. But the maximum limit allowed for such missing data was five per cent of all data. Fortunately, we did not have to use the formula at all, because no school that participated gave less than 95 per cent data. The comprehensive nature of the data we gathered is also due to the extensive follow-ups and audits done by MDRA. Read column by MDRA's Deputy Director Abhishek Agrawal, *businesstoday.in/bschools2013-audit.*)

Parameters: Several parameters of the objective survey have been changed, and much new information sought. For example, in "learning experience", two new sub-parameters – "student connect" and "industry connect" – have been introduced. Student connect captures data such as attendance of students, scholarships given by colleges and the industry, etc. Industry connect captured elements such as value of research projects that colleges undertook jointly with industry and government, revenue generated from consulting assignments, etc. New information such as international accreditations, teaching of foreign languages, whether students were trained to do business in a global environment, were also captured. See *businesstoday.in/bschools2013-parameters* to view the full list of parameters of the objective survey.

Weights: Since the methodology was being overhauled, we felt the need for expert advice on the weights to be assigned to the different parameters. And the experts needed to be from both sides of the

WEIGHTY AFFAIR

The experts – from industry and academia – who advised us on the weights for the parameters

FROM INDUSTRY

Krish Shankar
Executive Director, Human Resources, Bharti Airtel Ltd*

Sumantra Hore
Director, Human Resources, Kellogg India Pvt Ltd

Biplab Baksi
Sr. Vice President, Human Resources, Nestle India Ltd

Deodutta Kurane
Group President, Human Capital Management, Yes Bank Ltd

Kalappa K B
Vice President, Human Resources, Columbia Asia Hospitals

P. Dwarakanath
Advisor- Group Human Capital, Max India Limited

Saurabh Govil
Senior Vice President, HR, Wipro Ltd

Shalini Pillay
Head of People, Performance & Culture, KPMG

Anuranjita Kumar
Country HR Officer, Citibank

Deepak Bharara
Director, Corporate HR, Lanco Infratech Ltd

FROM B-SCHOOLS

Ashok Panjwani
Dean (Graduate Programme), Mgmt Development Institute, Gurgaon

Biswajit Nag
Associate Professor, Indian Institute of Foreign Trade

Chowdari Prasad
Dean, Public Relations, TAPMI

Debashis Sanyal
Dean, School of Business Management, Narsee Monjee Institute of Management Studies

H. Chaturvedi
Director, Birla Institute of Management Technology (BIMTECH)

Hema Yadav
Deputy Director, National Institute of Agricultural Marketing

Joseph I. Injodey
Honorary Dean & Principal, Rajagiri Centre For Business Studies

Pritam Singh
Director General, International Management Institute

Raj S. Dhankar
Dean, Faculty of Management Studies (FMS), University of Delhi

Sunil Rai
Director, Goa Institute of Management

*He has since resigned from the company

How to take an ocean tanker thousands of kilometres inland?

Take it underground.

When ocean tankers carrying crude oil or finished petroleum products touch our country's shores, a new journey has just begun. Moving them to the refineries and high-consumption centres, thousands of kilometres inland, has been a challenge of a different kind. One that we handle every day with our 12,000-km cross-country pipeline network, that carries both crude oil and products through underground highways.

Above them, several thousand tank trucks, rail wagons and ocean tankers complement our logistics infrastructure. Just making sure that vital petroleum products like petrol, diesel, kerosene, LPG, aviation fuels and more are delivered to customers across the country. Wherever needed. During day or night, rain or shine. And round the year.

For over five decades, we have endeavoured to touch and transform the lives of a billion Indians. Even in the remotest parts of India. In every possible way. Through our products and services, that bring energy to their lives and smiles to their faces.

IndianOil. In every part. In every heart.

इंडियनऑयल

IndianOil

The Energy Of India

Petroleum Refining and Marketing | Pipeline Transportation | Research & Development | Technology Solutions | Petrochemicals | Gas Sourcing & Marketing | Exploration & Production | Alternative Energy

academia-industry fence. Accordingly, MDRA's representatives ran a separate survey on a panel of experts – HR heads of reputed companies and deans/directors of reputed colleges – to determine weights of the objective survey's parameters. Since the experiential survey had the same parameters, similar weights were used there too. See *Weighty Affair* for the list of experts. The weights they individually assigned to various parameters were averaged to get the final weights.

Awareness deflator: Last year, in the perceptual survey, we introduced an "awareness deflator" to level the playing field for schools that had high perceptual scores, but from very few respondents, leading to distorted rankings. We have retained it, though its working has been integrated into the process and is not shown at the final stage.

The process

First, a draft list of parameters and sub-parameters for ranking was prepared and shared with the experts' panel. Based on their inputs, the final parameters, sub-parameters and their relative weights were determined.

Next, a comprehensive list was prepared of schools that offered two-year full-time management courses (PGDM/MBA), and had been established at least five years ago with a minimum of three batches having passed out. A separate list of schools offering one-year full time Executive MBA/PGP programmes was also prepared. An objective questionnaire, its design based on the finalised parameters, was put up on the websites of *BT* and MDRA. More than 1,500 institutes that qualified were requested, through emails, calls and advertisements in the magazine, to participate in the objective survey. In all, 216 colleges across the country submitted their objective data on time, of which 213 were ranked. Three institutes have not been considered because three batches had not graduated.

More than 130 institutes declined to participate, including prominent ones such as IIM Bangalore and IIM Lucknow.

Simultaneously, the questionnaire for the perception survey was designed and face-to-face interviews conducted with 1,091 key stakeholders including deans/directors, recruiters, alumni and final year students of PGDM/MBA. The sample design used MDRA's "3S" criteria – sample size, spread and selection criteria of the respondents. The perception survey was carried out across 16 cities – Delhi-NCR, Chandigarh, Mumbai, Chennai, Kolkata, Kochi, Bangalore, Pune, Indore, Hyderabad, Jaipur, Ahme-dabad, Lucknow, Bhubaneshwar, Guwahati and Ranchi. The respondents comprised 369 final year MBA/PGDM students, 110 deans/directors, 312 alumni and 300 recruiters with rich experience. Recruiters and deans/directors were also asked to rate one-year programmes. Only colleges offering 11to15 months executive MBA/PGP programmes were considered for ranking.

More than 130 institutes declined to participate, including IIM Bangalore and IIM Lucknow

Then, data was captured for the experiential survey from alumni of only those colleges which had submitted their objective data. A separate questionnaire was sent to the alumni asking them to rate the colleges on various sub-parameters in view of their contribution to career growth. In cases where we did not receive alumni response about their alma mater, colleges were given marks in proportion to their objective and perceptual score.

The challenge we faced here is that the expectations of someone from a top IIM would be very different from that of one going to an average, regional B-school in a remote part of the country. So, instinctively, a student from an average school would give high ratings to his college even if he got a low-paying job. Comparatively, an IIM graduate would be dissatisfied with anything less than top-dollar. Attitudes and expectations, therefore, could throw the rankings completely out of whack. To avoid such fluctuations, the experiential scores were adjusted against the colleges' combined objective and perceptual score. This approach helped balance expectations with reality.

The second phase involved physical verification and audit of objective data provided by B-schools. Seventy-five B-schools were visited by MDRA's researchers, who cross-checked the data with the original documents and infrastructure. Irregularities were removed/corrected in the final objective data. For other schools, MDRA's researchers carefully examined every aspect of the details provided by B-schools through available information and validation (past data, telephonic check, website visits, etc.).

The marks of the five parameters of the objective phase were then summed to get the total objective score by each institute. To arrive at the final composite score, objective, perception and experiential scores were added in weights of 50 per cent, 40 per cent and 10 per cent, respectively.

The MDRA core team was led by Deputy Director Abhishek Agrawal, and comprised Research Manager Abnish Jha and Research Executive Barkha Soni.◆

POWERGRID

पावरग्रिड

LEADING THE PRESENT. CONQUERING THE FUTURE.

"Your Company strongly believes that continuous Research, Development and Demonstration (RD&D) are the key to remain as a Leader."

R.N. Nayak
Chairman & Managing Director

Excerpts from the Chairman's Speech at the 24th AGM held on September 19, 2013

Dear Shareowners,

It is my great pleasure to welcome you all to the 24th AGM of your Company. I thank you all for making it convenient to attend the meeting.

The Directors' Report and the Company's Annual accounts for the financial year ending 31st March, 2013 have already been circulated to you. With your kind permission, I take them as read.

Ladies and Gentlemen, this is my third address at your Company's AGM and I feel proud to meet you after completion of another eventful financial year which has been a challenging year on multiple fronts. I extend my profound gratitude for your continued patronage, encouragement & support and acknowledge with humility, the confidence reposed upon me and on our Board of Directors. I take this opportunity to share the vision, measures taken to address challenges, technology advancements, new business initiatives for sustainable development, accomplishment in smart grid projects, integration of renewables, partnering with State utilities, etc.

Your Company is entering its **Silver Jubilee** year next month and during the course of journey, it achieved many milestones, scaled new heights and registered excellent growth on all fronts. I wish to present some of these to you:

ECONOMIC SCENARIO AND POWERGRID: Friends, our Country's GDP growth is in lower side due to multiple factors on both domestic and global fronts. To bring back the economy on track, accelerated development of key infrastructure sectors like power is of paramount importance. I, on behalf of our dedicated & committed workforce, assure you that we are fully geared up to meet the expectations and even surpass the excellent track record in all of our operations.

Added about 7,156 ckm, 40,230 MVA and 17 EHV Sub-stations

Despite challenges faced by Indian Economy, your Company registered an impressive growth of 24% in its turnover during FY 2012-13 with the momentum continuing in FY 2013-14. Your Company has made significant contribution in propping up the economy through accelerated capex programme and augmenting capacity of its power transmission and telecom infrastructure. Our continued expansion plan has been providing growth to the recession ridden electricity industry, particularly equipment manufacturers/vendors in transmission and allied sectors.

Over the years, your Company has taken initiatives for encouraging development of major electrical equipment indigenously and also been playing a critical role in setting up of manufacturing facilities in India to meet our long term requirements. The initiatives for development of technological products under PPP model like 1200 kV UHV AC, pilot project in smart grid, smart energy meters and Phasor Measurement Units (PMUs) etc., indigenously have enabled us to source almost all our equipments domestically. All these initiatives are contributing significantly in saving the precious foreign exchange as well as improving the Current Account Deficit situation.

PERFORMANCE HIGHLIGHTS: I would like to share some of the performance highlights of your Company:

Project Implementation: Your Company added about **7,156 circuit kilometres (ckm)** of transmission lines, **17 new EHV sub-stations** and transformation capacity of more than **40,230 Mega Volt Amperes (MVA)** in the Country's network enhancing the Gross Asset Base by about **₹ 17,213 Crore**, up by **27%** of previous year. Asset base added in last 27 months is **66% of the same created in its initial 252 months since inception.**

Implementation of High Capacity Power Transmission Corridors is progressing as planned. Your Company has successfully commissioned AC portion of the prestigious Indo-Bangladesh interconnection in August 2013. With this, Indian grid is connected with third South Asian country, besides Bhutan and Nepal.

Financial Performance: Your Company achieved a Turnover of **₹ 13,329 Crore** and Net Profit of **₹ 4,235 Crore** in FY 2012-13 as compared to **₹ 10,785 Crore** and **₹ 3,255 Crore** respectively during FY 2011-12; growth of about 24% in Turnover and 30% in Net Profit.

Investment of ₹ 20,037 Crore, an increase of about 13% over last year

Your Company made an investment of **₹ 20,037 Crore** during the year, an increase of about 13% over last year and present Asset Base stands at about **₹ 1,28,000 Crore** including the work in progress and construction stores & advances.

Increased Gross Asset Base by about ₹ 17,213 Crore, 27% more than previous year

Operational Performance: Your Company owns and operates a transmission network of **1,02,035 ckm, 171 substations** and **1,69,563 MVA** as on August 31, 2013. Your Company attained the transmission system availability of **99.90%,** with number of trippings per line limited at **0.58.**

Aerial patrolling of transmission lines using helicopters has been undertaken, to start with, for about 15,000 km. To take it further, deployment of helicopters for maintenance purposes is also being explored. Presently, **43** sub-stations of your Company are being operated remotely. Further, for operating all the sub-stations from a centralized location, your Company is establishing **"National Transmission Asset Management Centre (NTAMC)"** and first phase of the project is envisaged to be operational this year. For further enhancing operation efficiency, **"Maintenance Service Hubs"** is introduced with specialist maintenance crew to cater to the need of group of sub-stations.

TOWARDS PAN INDIA SYNCHRONOUS NATIONAL GRID: Your Company through upgradation of Gwalior-Agra lines to 765 kV and commissioning of 765kV Sasaram-Fatehpur line, has augmented the inter-regional power transfer capacity by 4,100 MW, with cumulative capacity at **31,850 MW** and the same has been planned to increase to **66,000 MW** by XII Plan end. **'One Nation – One Frequency'** is likely to be achieved this year through commissioning of Raichur-Solapur transmission system to inter-connect Southern grid with rest of the grid.

GRID MANAGEMENT BY POSOCO: Power System Operation Corporation Limited (POSOCO), a fully owned subsidiary of your Company, is looking after the function of grid management of the country.

POSOCO has facilitated about **66 Billion Units (BUs)** of inter-regional energy transfer across the country during FY 2012-13, which is about 12% higher than the previous year's 59 BUs. Further, 32,000 transactions under Short Term Open Access were approved during the year involving about **73 BUs** of energy transfer.

In monetary terms, impact of this magnitude of energy transfer translates into about ₹ 30,000 Crore, equivalent to about 10,000 MW of electricity trade leading to economy and efficiency. This has also resulted in reduction of SPOT Electricity market price from about ₹ 8-10 to ₹ 2-3 in 3-4 years. On the other hand, volume of Unscheduled Interchanges (UI) in monetary terms on a weekly basis has been reduced to 1/5th, post grid disturbance. All this has been possible because of your Company's fully integrated pan India transmission network, State-of-Art Load Despatch & Communication facilities and also transparent operation of POSOCO being independent of ownership and control of market participants (e.g. generators, distributors & suppliers).

Dear Friends, we had two major grid disturbances last year i.e. on 30th and 31st July, 2012, and had assured that it would not reoccur. The restorations carried out on same day(s) were one of the quickest ever carried out internationally. The implementation of recommendations/measures of the Enquiry Committee has been undertaken by various utilities expeditiously. As a step towards higher grid security, the grid operating frequency band has been tightened and regulations to relieve congestion in real time operation and levy of congestion charges have been notified by CERC. Further, your Company is also implementing a Grid Security Expert System, a project for advance defense plan for the Secure Grid Operation in all regions.

Transmission system availability of 99.90%

PERFORMANCE IN TELECOM: Your Company presently manages an all India Broadband Telecom Network of about 30,000 km connecting all metros, major cities, towns, State capitals, at an availability of 99.92% and is in the process of installing OPGW of about additional 1,00,000 km on its transmission lines for grid monitoring/ smart grid purposes which will be available to expand our Telecom business to reach out more cities and towns.

Your Company has achieved an income of about **₹ 231 Crore** in telecom business in FY 2012-13, an increase of 15% from previous year. Your Company is one of the implementing agencies of the National Knowledge Network project and National Optical Fiber Network (NOFN) of Government of India. NOFN is being implemented at an estimated cost of **₹ 2,700 Crore.** Your Company is further expanding into value added services such as Multi-Protocol Label Switching for providing Virtual Private Networks and in North-Eastern region your Company shall provide bulk bandwidth to BSNL on long term agreement basis.

CONSULTING SERVICES: Your Company continues to capitalize its immaculate expertise developed in various areas of operation by offering consultancy services domestically and internationally.

During FY 2012-13, on domestic front, your Company has secured 26 new assignments having aggregate project cost of ₹ 715 Crore and has signed agreements with six NER States (Assam, Meghalaya, Mizoram, Manipur, Nagaland and Tripura) to provide consultancy services for "NER Power System Improvement project" at an estimated cost of about ₹ 8,400 Crore. Further, your Company shall also implement similar works in Arunachal Pradesh and Sikkim at an estimated cost of ₹ 4,800 Crore.

On overseas front, we have emerged as leading consultant in South East Asia and now spreading our wings towards Africa. In Ethiopia, your Company taking lead role in the consortium is poised to take over the management of power system of Ethiopian Electric Power Corporation encompassing generation, transmission and distribution system. Currently, your Company is providing its services in 14 countries. During FY 2012-13, your Company secured new international assignments having aggregate project cost equivalent to **₹ 332 Crore**. Through various Consultancy assignments, your Company has registered revenue of **₹ 315 Crore** in FY 2012-13.

Planned to undertake an investment of over ₹ 1,10,000 Crore in the XII plan

XII PLAN INVESTMENT PROGRAMME: In XII Plan, your Company had planned to undertake an investment of **₹ 1,00,000 Crore** for addition of about 40,000 ckm and about 1,00,000 MVA. Out of this, your Company has already made a Capital expenditure of ₹ 20,037 Crore in FY 2012-13. In this current FY, implementation of capex programme of over ₹ 22,000 Crore is in full swing. In addition, a number of additional projects are also being taken up in this Plan and to meet the increased investment of over **₹ 1,10,000 Crore**, your Company proposes to come up with Follow-on Public Offer (FPO) shortly. Ministry of Power has proposed raising of 13% fresh equity and 4% disinvestment for approval of Govt. of India. I would like to specifically convey my gratitude to MoEF for its continuous support in according expeditious forest clearance and granting relaxation under Forest Rights Act, 2006 to linear projects, including transmission lines. We are also greatly indebted to our Hon'ble Minister of State (I/C) for Power, Shri Jyotiraditya M. Scindia ji, whose untiring efforts have resulted in getting this relaxation for transmission projects.

ENTERPRISE RESOURCE PLANNING (ERP): The ERP solution is presently under implementation covering all the core processes of your Company viz. Project Management, Operation & Maintenance, Finance, HR, Procurement & Material Management, Commercial etc. and it is expected that the first phase will roll out in the current financial year.

TECHNOLOGY LEADER: Your Company strongly believes that continuous Research, Development and Demonstration (RD&D) are the key to remain as a Leader.

Implementation of ±800 kV, 6,000 MW multi-terminal HVDC system from North Eastern Region to Northern Region is progressing well with first phase targeted for commissioning by 2014-15. Upon completion, it shall be one of the largest multi-terminal HVDC systems in the world at this voltage level. Your Company has successfully charged the world's highest transmission voltage of 1200 kV Ultra High Voltage AC(test line) at our National Test Station, Bina, Madhya Pradesh in December, 2012. Presently, field tests are under progress.

Creativity & Innovation are a 'PART' of your Company's DNA. In this direction, your Company is setting up **POWERGRID Advance Research & Technology Centre (PART)** at Manesar complex with multi-disciplinary facilities with an investment of about **₹ 200 Crore.** Your Company is also establishing Transmission Line Research Laband an Ultra High Voltage Test Lab at Bina, central part of India to undertake long term field testing and optimization studies of transmission lines and to support testing of equipment upto 1200kV class including impulse & power frequency tests. Considering the specialised nature of works in our business areas, your Company has started inducting specialist manpower holding Doctorate, M. Tech, MBA degrees, etc.

World's highest transmission voltage of 1200 kV UHVAC (Test Line) commissioned

NEW INITIATIVES FOR FUTURE PREPAREDNESS: Friends, Indian economy has opened up opportunities in new business areas. To harness these opportunities, your Company has taken up various new initiatives such as Smart Grid/city projects, integration of renewables with the grid, Energy Efficiency, Backward integration for manufacturing of key products, JVs with States, etc. I take this opportunity to share some of the developments taken place in these initiatives.

Smart Grid - Transforming energy system into next Orbit: Your Company took pioneering initiatives for development of smart grid in the entire value chain of power system. The smart grid pilot project at Puducherry, first such kind of project in the country has made significant progress. We have successfully implemented smart grid control center integrating various smart grid technologies. In addition, Smart street light automation system has been implemented which has resulted into considerable reduction of energy consumptions. First in-house designed grid interactive solar photovoltaic plant of 50 kwp capacity has been installed at our Manesar complex. Your Company is also focusing on development of innovative technological products and intelligent devices in collaboration with premier academic institutions and various manufacturers.

One Nation - One Frequency is likely to be achieved this year on commissioning of Raichur-Solapur T/S

Towards smart transmission, your Company is implementing State-of-the-Art Wide Area Measurement System through application of synchrophasor technology (Phasor Measurement Unit) under **"Unified Real Time Dynamic State Measurement System (URTDSM)"** scheme and WAMS pilot project in all the five(5) regional grids have already been successfully implemented. CERC has already accorded regulatory approval for implementation of the URTDSM project.

Development of Green Energy Corridors – Renewable Integration: To promote development of renewable energy sources, your Company has identified "Green Energy Corridors", a comprehensive plan covering Transmission requirement at both inter-State and intra-State levels. To address the volatility of renewable generation, various control infrastructures are being explored by your Company. A joint declaration of intent has also been signed between Government of India & Government of Germany for technical cooperation along with financial assistance through KfW for about one(1) billion Euro.

Initiatives towards Energy Efficiency: Considering the urgent need for efficient use and saving of energy, your Company has set-up a dedicated Energy Efficiency department, to undertake energy audit and implementation of energy efficient measures.

Forging Strategic Partnerships: Your Company has signed a Memorandum of Understanding (MoU) with Steel Authority of India Limited (SAIL) for manufacturing of towers parts including R&D facilities in addition to the MoUs signed earlier with NALCO and RINL. Your Company has also been exploring the selection of JV technology partner for developing Polymer Insulators. Your Company has signed MoU with RITES to set up a Joint Venture Company to plan, construct, own, operate & maintain transmission and distribution system down up to & including the traction sub-stations of Railways.

In the direction of development of sub-transmission system in the States, your Company has joined hands with Bihar State Power (Holding) Company Limited and Odisha Power Transmission Corporation Limited to form Joint Venture Companies respectively **"Bihar Grid Company Limited"** and **"Kalinga Bidyut Prasaran Nigam Private Limited"** on **50:50 equity participation** basis.

HUMAN RESOURCE MANAGEMENT: Dear Shareholders, Human Resources are the most important asset and your Company has initiated various programmes for enhancing the knowledge spectrum of this vital asset.

The sector is traversing through what we call as **VUCA** (Volatility Uncertainty Complexity and Ambiguity) times which necessitate reorientation of strategies on Human Resources. Your Company is developing **POWERGRID Academy of Leadership (PAL)** in its Manesar Complex with State-of-the-Art training facilities which will be operational this year and in this regard we have signed MoUs with prestigious academic institutions for technical collaboration.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT:

We are of firm belief that the relentless single-minded pursuit of profit is endangering the planet & its people. Corporates have responsibility towards all the stakeholders including people of the communities in which it operates. Your Company has taken many proactive measures in the field of Community Development, Livelihood generation etc. and has undertaken 440 projects under CSR.

Your Company started Capacity Building Programs in partnership with leading EPC companies for training unemployed youth in the field of transmission and over 90% trainees were gainfully employed. Your Company partnered with Department of Forest, Assam under the project named **"Greening of Sonitpur District"** under which 1,00,000 saplings were planted in the degraded forest with more than 60% survival rate.

Income of about ₹ 231 Crore in telecom business with an increase of 14.9%

Your Company has released its GRI-G3 based, second biennial sustainability report in March, 2013 which has been externally assured with GRI application level "B+" as per International Standards. Further, your Company has introduced the usage of electric vehicles with solar charging facilities in its operations. We also intend to invest equity in proposed Ultra mega Solar Power Plant in Rajasthan through JV route, being spearheaded by MNRE.

CORPORATE GOVERNANCE: During the year, your Company has complied with the conditions of Corporate Governance, as stipulated in the Listing Agreement/Guidelines of Corporate Governance for CPSEs issued by the Department of Public Enterprises.

Your Company has recently been conferred the Special Jury Award for Lasting Impact on Indian Economy in the Governance Now PSU Awards. Further, your Chairman & Managing Director has been selected as **"Best CEO"** in Power Sector Category by 'sell-side' analysts in the 2013 All-Asia Executive team Rankings by 'Institutional Investor'. Your Company has also been conferred 'Certification of Recognition' for excellence in Corporate Governance, 2012 by the Institute of Company Secretaries of India.

ACKNOWLEDGMENTS: At the end I would like to extend my sincere thanks to you - my esteemed shareholders, for your confidence and valuable support to me, to the entire Board of Directors & to the Company as a whole. I am confident that your continued support shall be available to us in the same way that you have stood by us over the years. I also express my gratitude to our valuable clients, in India and abroad, for their patronage and faith in our services, which always inspire us for improving the performance of the Company.

I am grateful to the agencies/institutions from Government of India particularly the Ministry of Power, CEA, MoF, Planning Commission, MoEF, DPE, MoSPI, DoT, and other departments, CERC, Appellate Tribunal for Electricity, RPCs, Statutory Auditors, C&AG, SEBI, NSE, BSE Ltd., all State Governments/power utilities & departments and our partners for their help and guidance.

I thank my colleagues on the Board for their advice and support in guiding the Company through various challenges. Especially, I would like to thank the Government Directors and Independent Directors for bringing in their vast experience in diversified areas and providing invaluable inputs and support.

On behalf of the Board, and on my behalf, I acknowledge the dedication, commitment and tireless efforts our employees and their family members, which has helped the Company to reach at this pinnacle of performance and achievements. Your Company re-iterates its commitment to professionalism, business ethics & corporate governance to excel in all its endeavors and look for your continued support and guidance.

Thank you, Ladies and Gentlemen.

Place: New Delhi
Date: 19.09.2013

(R.N. Nayak)
Chairman & Managing Director

(This does not purport to be a record of the proceedings of the Annual General Meeting)

For complete version of the Chairman Speech please visit us @ **www.powergridindia.com**

POWER GRID CORPORATION OF INDIA LIMITED: Registered Office: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016. **Corporate Office:** "Saudamini", Plot No.2, Sector-29, Gurgaon, Haryana - 122 001

ALUMNI FAVOURITE: Department of Management Studies, Pondicherry University, is ranked 20 on alumni experience, even if 67 overall. For a feel of alumni experience, go to: www.businesstoday.in/bschools2013-tables

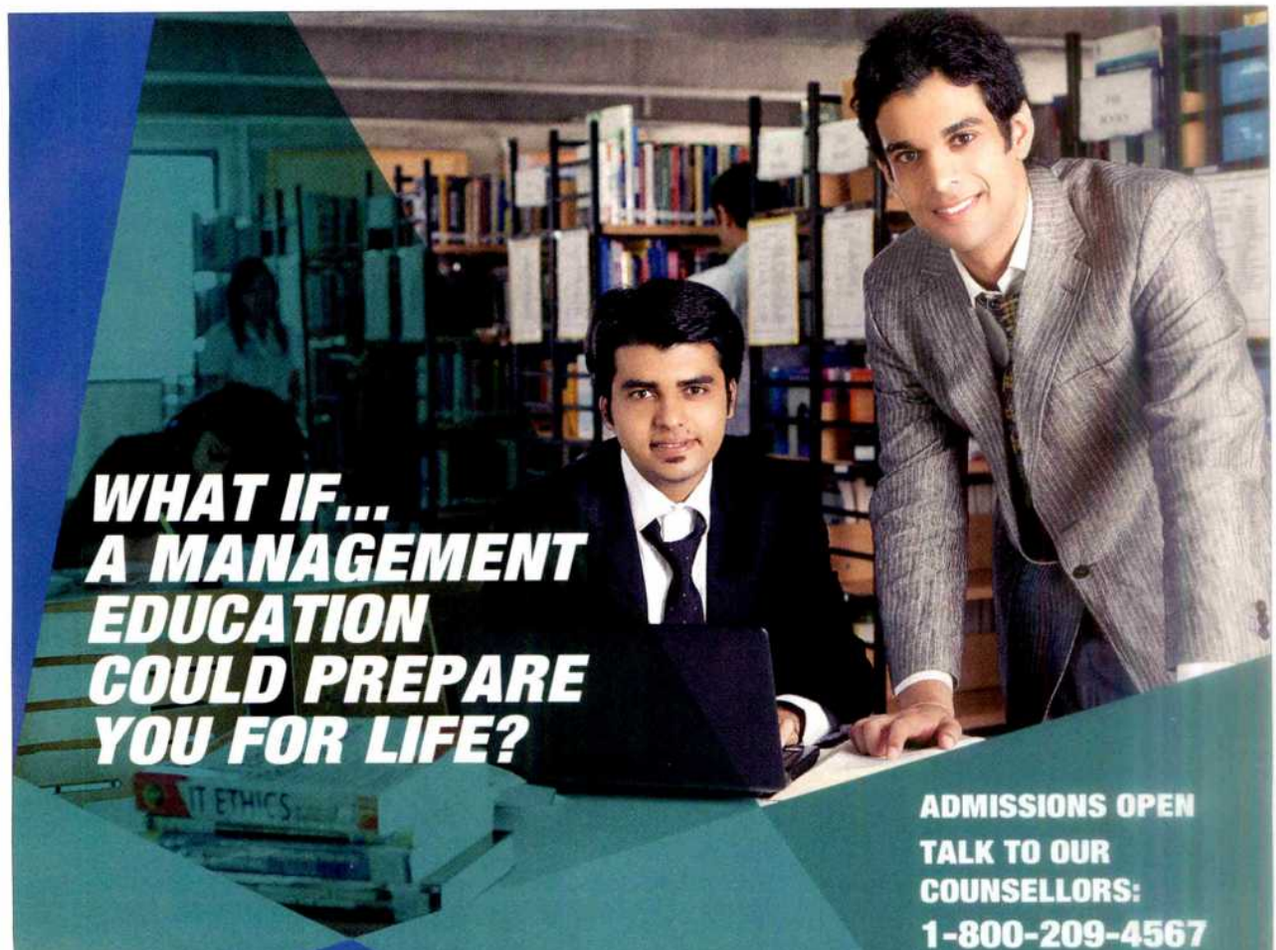
RANK 1-25

RANKS Above 150 | 101-150 | 51-100 | 31-50 | 11-30 | 1-10

TOP 100 B-SCHOOLS

INSTITUTE	GOVT/PVT	ZONE	'98 TREND '13	OVERALL RANK/ SCORE (2,000)	LEARNING EXPERIENCE	LIVING EXPERIENCE	PLACEMENT PERFORMANCE	SELECTION PROCESS & ESTABLISHMENT	FUTURE ORIENTATION	OBJECTIVE RANK/ SCORE (1,000)	PERCEPTION RANK/ SCORE (800)	EXPERIENTIAL RANK/ SCORE (200)
Indian Institute of Management Ahmedabad (IIM-A)	G	West		1 1,839.2	1 221.8	2 117.7	1 153.5	1 179.3	1 167.9	1 840.2	1 799	1 200
Indian Institute of Management Calcutta (IIM-C)	G	East		2 1,687.2	3 208.9	1 119.1	2 148.6	4 168.9	7 127.9	2 773.4	2 714.4	2 199.4
Xavier Labour Relation Institute (XLRI), Jamshedpur	P	East		3 1,567.1	11 202	11 109.5	11 132.3	6 167.9	3 139	4 750.7	4 640.8	3 175.6
Faculty of Management Studies Delhi (FMS Delhi)	G	North		4 1,493.5	20 197.7	12 109	3 146	2 175.8	15 116.7	5 745.2	7 603	6 145.3
Indian Institute of Management Kozhikode (IIM-K)	G	South		5 1,480.6	14 201.3	22 104.4	23 123.7	7 166.5	4 135.5	7 731.4	8 592.3	4 156.9
Indian Institute of Management Indore (IIM-I)	G	West		6 1,451.4	12 201.7	17 106.8	16 129.4	11 159.3	20 113.5	10 710.7	6 610.8	12 129.9
S.P Jain Institute of Management & Research Mumbai	P	West		7 1,448.3	2 216.9	36 98.6	5 138.8	3 173.5	5 135	3 762.8	9 556.1	13 129.4
Management Development Institute (MDI), Gurgaon	P	North		8 1,412.4	4 208.8	4 114.4	14 129.7	8 164.8	13 116.9	6 734.6	10 521.8	5 156
Indian Institute of Foreign Trade (IIFT), New Delhi	G	North		9 1,376.7	7 203.7	21 105.8	22 124	17 150.8	2 139.6	8 723.9	12 513.4	10 139.4
International Management Institute (IMI), New Delhi	P	North		10 1,359.4	5 206.7	16 107.7	21 124.9	16 155	14 116.9	9 711.2	13 508.5	9 139.7
Narsee Monjee Institute of Management Studies (NMIMS), Mumbai	P	West		11 1,353.7	6 206.2	28 100.3	18 127.6	15 155.2	10 119.1	11 708.4	11 521.4	15 123.9
National Institute of Industrial Engineering (NITIE), Mumbai	G	West		12 1,289.5	9 202.5	9 110.4	15 129.6	26 143.7	30 106.4	16 692.6	17 456.4	7 140.5
Institute of Management Technology (IMT), Ghaziabad	P	North		13 1,282.2	19 197.9	18 106.6	24 121.8	18 149.9	17 115.9	17 692.1	14 486.7	29 103.4
Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai	G	West		14 1,264.9	17 199.2	42 97.5	10 133.9	13 158.1	21 112.5	13 701.2	20 438.6	14 125.1
Department of Management Studies IIT Delhi	G	North		15 1,250.1	23 196	14 108.5	6 138.7	28 143.4	25 110.7	14 697.3	18 454.1	36 98.7
Xavier Institute of Management (XIM), Bhubaneswar	P	East		16 1,245.8	21 197.7	15 108.3	9 135.2	5 168	134 73.2	18 682.4	16 465.4	39 98
Symbiosis Institute of Business Management (SIBM), Pune	P	West		17 1,243.3	74 178	68 92.1	7 136.9	49 135.8	11 119	25 661.8	15 475.2	26 106.3
Vinod Gupta School of Management IIT Kharagpur	G	East		18 1,238.9	13 201.6	3 116.8	11 132.3	25 144.4	50 99.1	15 694.2	22 427.3	19 117.4
T.A. Pai Management Institute (TAPMI), Manipal	P	South		19 1,233.9	15 200.9	24 102.8	50 102.9	21 147.7	8 127.5	19 681.8	23 421.5	11 130.6
Shailesh J. Mehta School of Management IIT Bombay	G	West		20 1,230	37 188.9	41 97.8	4 142.3	30 143.2	58 97.1	22 669.3	24 420.2	7 140.5
Birla Institute of Management Technology (BIMTECH), Greater Noida	P	North		21 1,225.6	10 202.3	8 110.7	32 114	23 145.6	6 133.3	12 705.9	26 407.2	22 112.5
Institute of Rural Management Anand (IRMA)	P	West		22 1,193.6	45 186.4	13 109	19 126.9	22 146.5	62 95.6	23 664.4	19 438.7	52 90.5
Institute of Management Nirma University, Ahmedabad	P	West		23 1,189.5	16 199.6	10 110.2	42 108.8	19 149.6	34 104.2	20 672.4	27 404.6	22 112.5
Goa Institute of Management Panaji	P	West		24 1,184.1	49 185.2	20 106.4	26 119.9	42 137.1	24 111.4	27 660	29 401.5	16 122.5
Indian Institute of Management IIM Shillong	G	East		25 1,180.6	34 189.9	47 96.4	17 127.6	40 138.1	28 108.3	26 660.3	25 418.7	32 101.6

Ranking is based on objective data, experiential and perception survey; Only those B-schools which submitted their objective data have been ranked. Institutes that did n submit their objective data on time or refused to participate have not been ranked; Only those colleges which fulfilled the following criteria were considered eligible for part pation in ranking: (i) Minimum three batches passed out, (ii) Offering two years full-time Postgraduate Programme in Management; All scores have been rounded off to o decimal place, this may result in rounding off errors while adding the parameter-wise score; Those colleges not ranked during perception Survey have got 0.0 marks in perc tion score. **Table visualisation by Gramener. Total 213 colleges participated. This list shows top 100 colleges, the complete list is available on our website**



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FOCUS

WESTERN COMFORT: National Institute of Agricultural Marketing, Jaipur, is ranked No. 36 overall, but comes at No. 6 on living experience. Zonal and other ranking parameters at: www.businesstoday.in/bschools2013-tables

RANK 26-50

RANKS Above 150 | 101-150 | 51-100 | 31-50 | 11-30 | 1-10

TOP 100 B-SCHOOLS

INSTITUTE	GOVT/PVT	ZONE	'98 TREND '13	OVERALL RANK/ SCORE (2,000)	LEARNING EXPERIENCE	LIVING EXPERIENCE	PLACEMENT PERFORMANCE	SELECTION PROCESS & ESTABLISHMENT	FUTURE ORIENTATION	OBJECTIVE RANK/ SCORE (1,000)	PERCEPTION RANK/ SCORE (800)	EXPERIENTIAL RANK/ SCORE (200)
K. J. Somaiya Institute of Mgmt. Studies & Research, Mumbai	P	West		**26** 1,176	54 183.5	19 106.6	36 112.5	32 142.9	22 112.4	28 657.9	21 430	58 88.1
Sydenham Institute of Mgmt. Studies, Research and Entrepreneurship Education (SIMSREE), Mumbai	G	West		**27** 1,171.6	66 179.7	53 95.6	8 136.5	20 148.7	75 90.6	29 651.1	30 401.2	17 119.3
Prin. L.N. Welingkar Institute of Mgmt. Development & Research, Mumbai	P	West		**28** 1,158.8	8 203	54 95.4	39 110	14 157.1	32 104.7	21 670.2	28 402.9	62 85.7
Lal Bahadur Shastri Institute of Management (LBSIM), New Delhi	P	North		**29** 1,143.7	33 190.3	84 89.1	25 121.2	9 163.4	49 100	24 664	33 396.1	64 83.6
National Institute of Agricultural Extension Management (MANAGE), Hyderabad	G	South		**30** 1,120.2	22 196.7	7 111.1	34 113.7	37 139.4	78 89.3	31 650.2	61 353.7	21 116.3
Loyola Institute of Business Administration (LIBA), Chennai	P	South		**31** 1,109.3	38 187.9	75 90.8	54 101.6	35 140.4	31 106.2	40 626.9	54 363.7	18 118.7
Bharathidasan Institute of Management (BIM), Tiruchirappalli	P	South		**32** 1,096.3	53 183.6	49 96.1	20 126.4	39 139.1	76 89.6	35 634.8	53 365.5	42 96
Department of Management Studies NIT Tiruchirappalli	G	South		**33** 1,093.9	78 177.5	33 99.7	33 114	24 145.3	48 100.2	33 636.7	45 376	68 81.2
Acharya Institute of Management and Sciences Bangalore	P	South		**34** 1,093.7	18 199	27 100.9	40 109.2	98 116.7	27 109.3	34 635.1	67 352.7	27 105.9
Indian Institute of Social Welfare and Business Management (IISWBM), Kolkata	G	East		**35** 1,090	51 184.6	67 92.2	98 85.9	27 143.5	26 109.3	50 615.5	31 396.8	76 77.7
National Institute of Agricultural Marketing (NIAM), Jaipur	G	North		**36** 1,088.7	64 180.5	6 111.2	43 108.7	116 112.9	33 104.4	48 617.7	34 394.8	80 76.2
ICFAI Business School (IBS), Hyderabad	P	South		**37** 1,087.8	91 175.2	70 91.8	86 88.7	12 158.9	39 103.6	47 618.2	51 368.7	34 100.9
PSG Institute of Management Coimbatore	P	South		**38** 1,087.3	29 191.6	60 93.5	47 105.9	76 124.1	36 103.9	46 619	55 361.3	25 107
Institute of Management Technology (IMT), Nagpur	P	West		**39** 1,086.6	30 191.6	32 99.9	53 101.6	34 140.8	74 91.1	43 625	66 352.8	24 108.8
Asia-Pacific Institute of Management New Delhi	P	North		**40** 1,085.1	32 190.9	34 99.2	46 106.8	64 128.1	38 103.8	39 628.8	60 356.3	35 100
Xavier Institute of Management & Entrepreneurship (XIME), Bangalore	P	South		**41** 1,084.4	24 195.3	31 100.1	28 118.6	82 121.3	68 94.4	37 629.7	59 358.8	43 95.9
Amity Business School Amity University, Noida	P	North		**42** 1,081.7	35 189.6	58 94.4	44 107.4	45 136.4	55 97.5	41 625.3	40 381.1	83 75.3
Rajagiri Centre for Business Studies Kochi	P	South		**43** 1,081.1	39 187.8	63 92.7	13 130.4	80 123.3	16 116.6	30 650.8	90 332.8	40 97.5
Institute for Technology & Management Navi Mumbai	P	West		**44** 1,080	42 187.2	38 98.5	52 101.8	47 136	45 101.8	41 625.3	44 377.8	78 76.9
GITAM Institute of Management Visakhapatnam	P	South		**45** 1,078.8	47 185.8	23 103.9	56 101.2	31 143.2	59 96.1	36 630.2	82 346.7	31 101.9
SCMS Cochin School of Business Kochi	P	South		**46** 1,077.6	25 195.2	46 96.5	139 75.6	59 131.9	12 118.4	49 617.6	36 385.2	86 74.8
NIILM Centre for Management Studies Greater Noida	P	North		**47** 1,077.5	60 181.3	152 79	37 111.9	33 141	53 98.3	51 611.5	56 361	28 105
Jaipuria Institute of Management Lucknow	P	North		**48** 1,076.9	59 181.5	29 100.3	72 92.1	53 133.9	41 102.7	52 610.5	48 375.1	50 91.3
School of Management KIIT University, Bhubaneswar	P	East		**49** 1,069.3	71 178.7	56 94.7	30 115.5	36 139.9	65 95.1	44 623.9	49 371.7	89 73.1
Regional College of Management Autonomous Bhubaneswar	P	East		**50** 1,064.2	27 192.8	47 96.4	27 119.6	63 130.1	42 102.4	32 641.3	86 337.8	63 85.1

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STRICT INPUT: Pune's Balaji Institute of Modern Management ranks 54 overall but is at No. 10 on selection procedure. See how others fare on intake quality at: www.businesstoday.in/bschools2013-tables

RANK 51-75

RANKS Above 150 | 101-150 | 51-100 | 31-50 | 11-30 | 1-10

TOP 100 B-SCHOOLS

INSTITUTE	GOVT/PVT	ZONE	'98 TREND '13	OVERALL RANK/ SCORE (2,000)	LEARNING EXPERIENCE	LIVING EXPERIENCE	PLACEMENT PERFORMANCE	SELECTION PROCESS & ESTABLISHMENT	FUTURE ORIENTATION	OBJECTIVE RANK/ SCORE (1,000)	PERCEPTION RANK/ SCORE (800)	EXPERIENTIAL RANK/ SCORE (200)
Prestige Institute of Management and Research, Indore	P	West	↓	**51** 1,060.1	50 184.8	51 96	38 111.1	62 130.2	88 86	53 608.1	62 353.3	36 98.7
Department of Management Studies, ISM Dhanbad	G	East		**52** 1,054.1	52 184.3	5 112.9	121 79	54 133.1	69 94.3	55 603.6	42 378.7	93 71.8
Jagan Institute of Management Studies, New Delhi	P	North	-	**53** 1,045.1	36 189.2	159 77.2	57 100.6	44 136.9	63 95.3	60 599.2	78 351.5	46 94.4
Balaji Institute of Modern Management (BIMM), Pune	P	West	↓	**54** 1,044.3	143 159.8	40 98	31 114.9	10 161.6	84 86.9	45 621.2	69 352.5	94 70.6
Institute of Management and Entrepreneurship Development, Pune	P	West		**55** 1,041.7	40 187.5	39 98.1	48 104.9	85 120.5	72 92.2	56 603.2	76 352	61 86.5
IFIM Business School, Bangalore	P	South		**56** 1,039.6	67 179.4	167 75.4	103 85.1	79 123.3	18 113.9	66 577.1	35 392.6	95 69.9
SIES College of Management Studies, Navi Mumbai	P	West	↓	**57** 1,038.8	46 186.1	203 47.5	51 102.4	29 143.3	23 112	62 591.3	50 368.9	74 78.6
Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM), Pune	G	West		**58** 1,029.1	65 180.2	71 91.6	41 108.8	70 126.3	168 61.3	68 568.2	57 359.8	33 101.1
Indian Institute of Finance, Greater Noida	P	North		**59** 1,026.6	41 187.4	94 87.3	60 98.5	41 137.4	64 95.2	54 605.8	71 352.4	96 68.4
Shri Dharmasthala Manjunatheshwara Institute for Management Development, Mysore	P	South		**60** 1,019.7	113 171.9	126 83.7	111 83.4	65 127.7	19 113.6	64 580.3	77 351.6	60 87.8
Institute of Rural Management, Jaipur	P	North		**61** 1,009.1	58 181.7	165 75.8	107 83.9	73 124.9	46 101.3	69 567.6	75 352.1	55 89.4
Siva Sivani Institute of Management, Hyderabad	P	South	↓	**62** 1,003.3	85 175.9	45 96.7	29 116.8	104 115.7	148 69.8	67 574.9	91 332.3	41 96.1
Flame School of Business, Pune	P	West		**63** 1,000.9	73 178.6	69 91.9	70 92.6	113 113.5	40 103.5	65 580.1	96 322.2	38 98.6
Institute of Public Enterprise (IPE), Hyderabad	G	South	↓	**64** 1,000.8	95 174.9	131 83.1	81 89.7	55 132.8	163 62.3	80 542.8	43 378.4	70 79.6
Institute of Management Studies, Ghaziabad	P	North	↘	**65** 998.1	63 180.6	143 79.9	161 69.9	60 131.9	47 100.7	73 563	84 341.8	48 93.3
Doon Business School, Dehradun	P	North	↘	**66** 996	76 177.6	97 87.1	45 107.4	95 117.5	70 94.3	63 583.9	81 347.6	102 64.5
Department of Management Studies, Pondicherry University	G	South	↓	**67** 991.4	146 157.4	87 88.4	100 85.7	110 114.4	130 76.2	102 522.1	68 352.6	20 116.7
Fortune Institute of International Business, New Delhi	P	North	↘	**68** 986.8	44 186.9	125 84.1	96 86.6	202 88.8	66 94.9	82 541.3	62 353.3	49 92.2
Skyline Business School, New Delhi	P	North	↘	**69** 985.5	70 178.9	137 82.2	155 72.3	87 120.4	37 103.9	74 557.7	69 352.5	83 75.3
IILM Graduate School of Management, Greater Noida	P	North		**70** 977.3	68 179	44 96.8	59 99	50 134.8	71 93	57 602.6	104 312.2	108 62.5
Prin. L.N. Welingkar Institute of Management Development & Research, Bangalore	P	South		**71** 958.7	57 182.3	87 88.4	67 95.6	46 136.4	61 95.7	61 598.4	114 272.3	59 88
Accurate Institute of Management & Technology, Greater Noida	P	North		**72** 958.5	72 178.7	25 102	93 87.3	207 85.5	90 85.7	87 539.2	58 359.2	110 60.1
Department of Business Management, University of Calcutta	G	East		**73** 950.4	31 191.4	64 92.6	115 82.3	58 132	198 42.8	83 541.1	80 350.2	113 59.1
Symbiosis Institute of Management Studies, Pune	P	West		**74** 950	75 177.7	149 79.7	62 97.8	38 139.2	29 107.1	59 601.5	116 255	47 93.5
Bharati Vidyapeeth University Institute of Management and Research, New Delhi	P	North	↘	**75** 944.8	131 164.6	124 84.3	49 104.5	93 118.5	121 78.5	77 550.4	88 335.9	114 58.5

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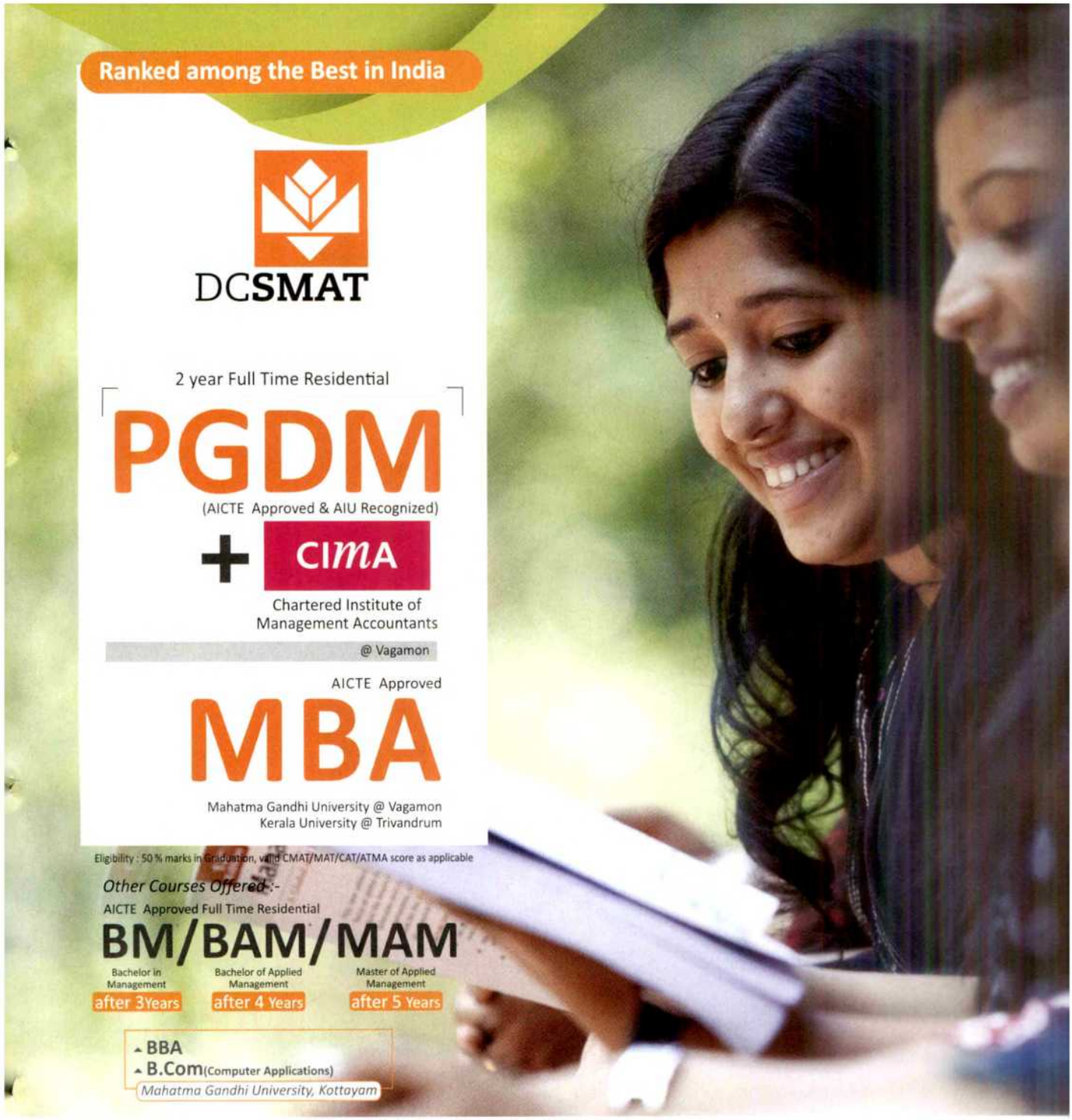

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RANK 76-100

RANKS Above 150 | 101-150 | 51-100 | 31-50 | 11-30 | 1-10

TOP 100 B-SCHOOLS

INSTITUTE	GOVT/PVT	ZONE	'98 TREND '13	OVERALL RANK/ SCORE (2,000)	LEARNING EXPERIENCE	LIVING EXPERIENCE	PLACEMENT PERFORMANCE	SELECTION PROCESS & ESTABLISHMENT	FUTURE ORIENTATION	OBJECTIVE RANK/ SCORE (1,000)	PERCEPTION RANK/ SCORE (800)	EXPERIENTIAL RANK/ SCORE (200)
Symbiosis Institute of International Business (SIIB), Pune	P	West		76 944.5	92 175.2	171 74.7	68 94.4	96 117.3	44 102.3	72 563.9	96 322.2	115 58.4
Chitkara Business School Rajpura	P	North		77 938.3	55 182.9	154 78.3	136 75.8	141 106.1	57 97.2	85 540.3	109 295.6	30 102.4
Faculty of Management Studies Vadodara	G	West		78 937.3	99 173.8	30 100.3	182 62.1	160 102.2	136 72.8	118 511.2	52 368.5	116 57.6
Symbiosis Centre for Information Technology (SCIT), Pune	P	West		79 934.3	62 180.9	115 85.6	129 77	66 127.1	107 80.6	75 551.2	94 325.9	119 57.2
PES Institute of Technology Bangalore	P	South	↗	80 933.6	178 140.9	183 67.2	157 71.6	56 132.2	79 88.8	129 500.7	46 375.8	120 57.1
Army Institute of Management Kolkata	P	East	↗	81 932.9	195 127.9	158 77.4	166 68.7	61 130.7	77 89.5	137 494.2	38 381.6	120 57.1
Hindustan Institute of Technology & Science Hindustan University, Chennai	P	South		82 932.2	26 195	50 96	63 97.5	43 137	35 104	38 629.5	134 213.3	55 89.4
Prestige Institute of Management Gwalior	P	West	↗	83 929.7	116 171.7	127 83.6	94 87	114 113.3	106 80.8	90 536.4	87 336.6	122 56.7
Lala Lajpat Rai Institute of Management Mumbai	P	West	↘	84 924.5	158 151	206 45.2	128 77.1	48 135.9	43 102.3	116 511.5	85 339.1	88 73.9
IBS Business School Kolkata	P	East	↗	85 916.6	163 150.2	212 34.8	64 97.1	94 118.1	102 82.1	155 482.3	41 379.1	123 55.2
Institute for Technology & Management Bangalore	P	South	↗	86 914.1	188 133.1	188 63.6	194 57.8	69 126.3	59 96.1	162 476.9	37 382.2	125 55
Master School of Management Meerut	P	North		87 913	83 176.4	35 98.9	66 95.7	52 133.9	56 97.5	58 602.4	131 222.3	57 88.3
Punjab College of Technical Education Ludhiana	P	North	↗	88 912.5	86 175.9	109 85.9	99 85.9	137 107.9	87 86.3	81 541.9	102 315.9	126 54.7
IBS Business School Ahmedabad	P	West	↘	89 912.4	77 177.5	194 56.9	61 98.3	121 111.8	147 70	111 514.5	99 318.8	72 79.1
Balaji Institute of Management & HR Development Pune	P	West	↘	90 911.6	166 148.2	160 77.2	76 90.6	198 89.6	117 79.2	150 484.8	79 350.9	81 75.9
G.L. Bajaj Institute of Management & Research Greater Noida	P	North	↘	91 911.4	122 170.1	90 87.6	110 83.5	164 101.4	164 61.9	125 504.5	73 352.3	127 54.6
Lovely Professional University Phagwara	P	North	↘	92 911.2	200 122.7	155 78.1	180 64.2	148 104.6	9 121.2	141 490.8	64 353	99 67.4
Gian Jyoti Institute of Management & Technology Mohali	P	North	↗	93 908	133 164.4	99 86.9	74 91.6	117 112.9	113 80.1	91 535.9	100 317.8	130 54.3
IIMT Management College Meerut	P	North		94 907.7	199 123.5	86 88.7	102 85.3	86 120.5	99 82.6	130 500.6	65 352.9	131 54.2
Symbiosis Institute of Business Management Bangalore	P	South		95 907.3	135 163.5	177 72.3	89 87.8	199 89.6	93 85.4	132 498.6	103 314.2	45 94.5
Indus Business Academy Bangalore	P	South	↘	96 900.9	137 163	61 93.1	71 92.4	74 124.7	126 77.8	76 551	115 259.9	53 90
Symbiosis Institute of Operations Management Nashik	P	West	↘	97 900	154 152.9	176 72.5	58 100.2	136 108.1	169 60.6	136 494.3	71 352.4	133 53.3
School of Business Studies Sharda University, Greater Noida	P	North		98 898.4	84 176.4	91 87.5	150 73.1	158 103.1	98 82.9	100 523	95 322.3	134 53.1
M.S. Ramaiah Institute of Management Bangalore	P	South		99 895.9	121 170.9	94 87.3	208 49	99 116.6	73 91.2	110 515	92 330.1	139 50.8
Jagannath International Management School New Delhi	P	North	↗	100 893	69 179	175 73.6	112 83	119 112.2	110 80.4	96 528.2	104 312.2	135 52.6

Ranking is based on objective data, experiential and perception survey; Only those B-schools which submitted their objective data have been ranked. Institutes that did no submit their objective data on time or refused to participate have not been ranked; Only those colleges which fulfilled the following criteria were considered eligible for partic pation in ranking: (i) Minimum three batches passed out, (ii) Offering two years full-time Postgraduate Programme in Management; All scores have been rounded off to on decimal place, this may result in rounding off errors while adding the parameter-wise score; Those colleges not ranked during perception Survey have got 0.0 marks in percep tion score. **Table visualisation by Gramener. Total 213 colleges participated. This list shows top 100 colleges, the complete list is available on our website**

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3. Post-Graduate Diploma in Management – Banking, Insurance & Financial services (PGDM – BIF)
4. Post-Graduate Diploma in Management – International Business (PGDM - IB)
5. Post-Graduate Diploma in Management – Human Resource Management (PGDM - HRM)
6. Executive Post-Graduate Diploma in Management (Exec. PGDM - 15 Months)

The Institute of Public Enterprise (IPE), Hyderabad is a registered, autonomous, non-profit educational society devoted to Education, Training, Research and Consultancy for business enterprises. IPE is a Premier B-School at Hyderabad and recognised as a "Centre of Excellence" by the Indian Council of Social Science Research (ICSSR), Ministry of Human Resources, Government of India for doctoral studies. IPE has been granted "Affiliate Member" status by EFMD, Belgium.

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IPE INTERVIEW CENTRES: Delhi, Patna, Lucknow, Kolkata, Bhubaneswar, Trivandrum, Chennai, Pune, Bangalore, Coimbatore, Viayawada and Hyderabad. The Interview centres are subject to change or cancellation.

for Application and Further details Contact
Admissions Unit, Institute of Public Enterprise
Mr. Sudheer @ 9391932129
Mr. Satyam @ 9399921746 or
Email : admissions@ipeindia.org

HIGHLIGHTS

- Ranked 2nd in Andhra Pradesh, 4th in South India, 17th All-India (Global B-School Survey-CSR 2012)
- Excellent Placement Record
- Rs.One Crore MERIT-cum-MEANS Scholarship fund
- Recruiters: Infosys, TCS, Google, GMR, GE, HSBC, Kotak Mahindra, ICICI, L & T, Goodyear, SBI, SBH, MIDHANI, IOB, Deloitte, Cognizent, BOI, BOB, Andhra Bank, IDBI Bank, Dupont, Future Group, Spencers, etc.,
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IMPORTANT DATES

Starting date of sale of IPE applications: 01.10.2013
Last date for issue of IPE applications: 13.12.2013
Last date for submission of IPE applications: 16.12.2013

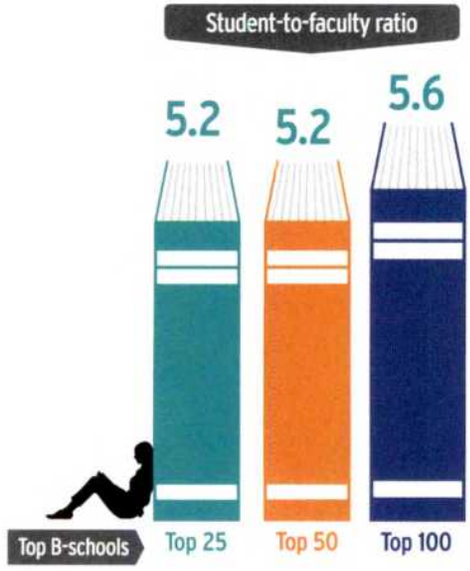
Prof. R.K. Mishra, Director

UP, CLOSE AND PERSONAL

The fine print of the *Business Today*-MDRA survey provides a wealth of insight into the functioning of B-schools.

Graphics by **Santosh Kushwaha**

The student-to-faculty ratio of the top 25 B-schools is about the same as that of institutes lower down in the pecking order. But the top 25 have more faculty with doctoral degrees

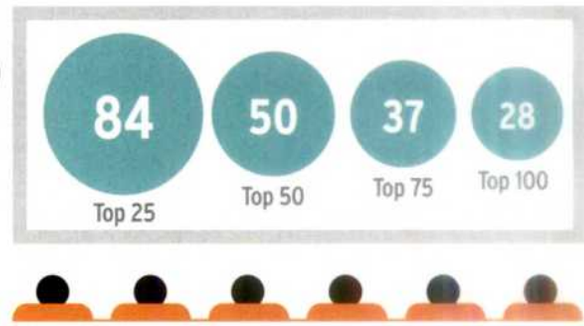


Overall, 58 per cent of the top 100 B-schools offer **Foreign Exchange Programmes. The ones higher in the listing are more likely to have such programmes than those lower down.** In the top 25, 76 per cent offer exchange programmes

Colleges offering foreign exchange programmes

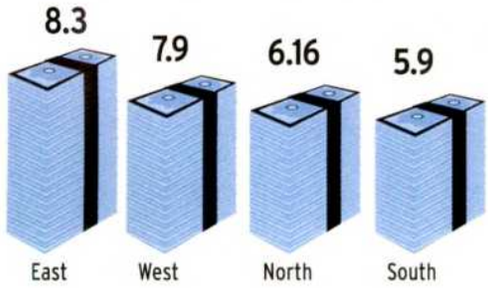
Similarly, the average number of Management **Development Programmes (MDPs)** conducted by each college in the top 100 list is 28. But the corresponding average for the top 25 B-schools is 84

Number of MDPs conducted



So too, of the top 100 B-schools, students from those in the east get the highest average salary offers during placements

Average domestic salary (in ₹ lakh)

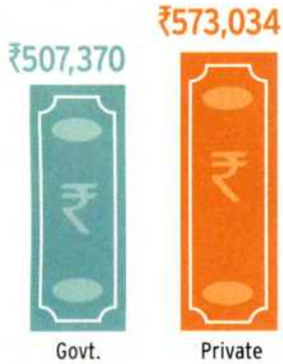


Among the top 100 B-schools, those from the east charge the highest average tuition fee

GOVERNMENT vs PRIVATE B-SCHOOLS

The ratio of government B-schools to private ones in the top 100 list is 23 to 77. Not surprisingly, government schools charge lower fees

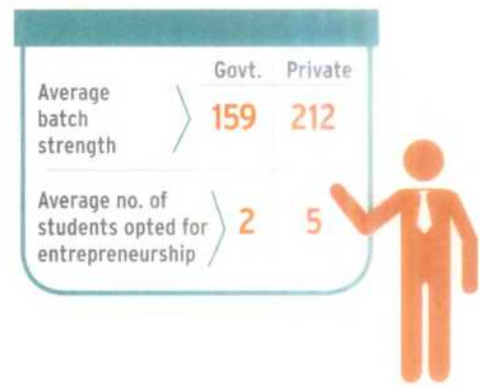
Average tuition fees



Private colleges perform better in terms of giving students exposure to live case studies

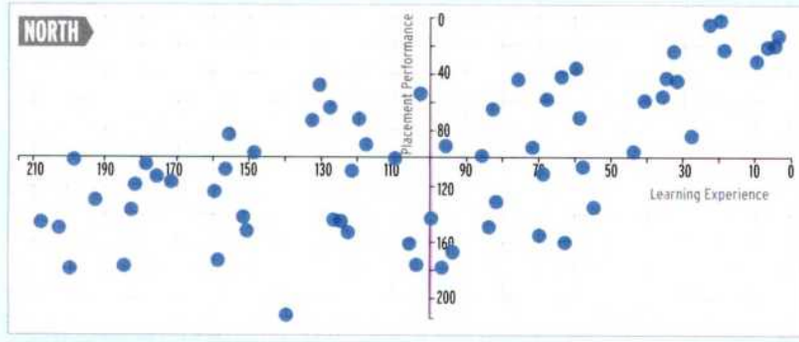
Average number of live case studies

The average batch strength in a government B-school is lower than in private ones. More students opt for entrepreneurship in private ones



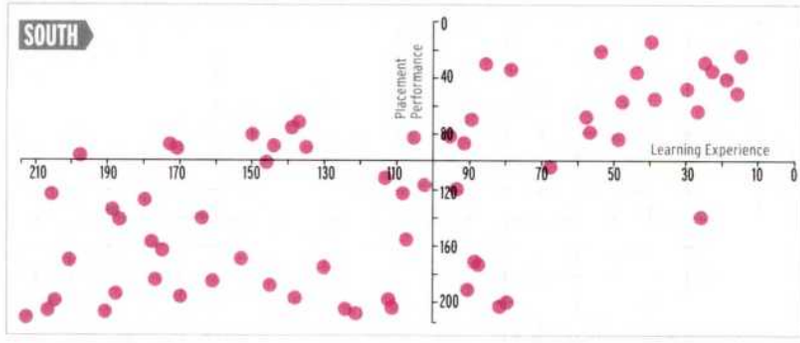
THE KNOWLEDGE-SALARY MATRIX

How learning experience and placement performance pan out among B-schools in the four zones of the country



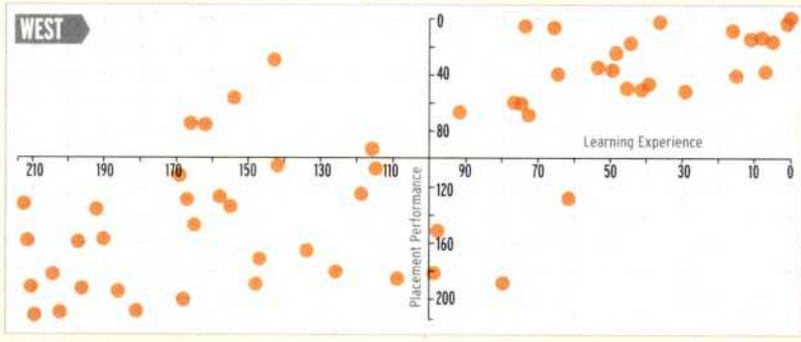
North zone has the most B-schools providing good learning experiences and good placements. Leading the way are MDI Gurgaon, IMI Delhi and FMS Delhi.

Some institutes manage good placements despite scoring low on learning. IIMT Management College, Meerut, for example, ranks No. 199 on learning, but No. 102 in placements.



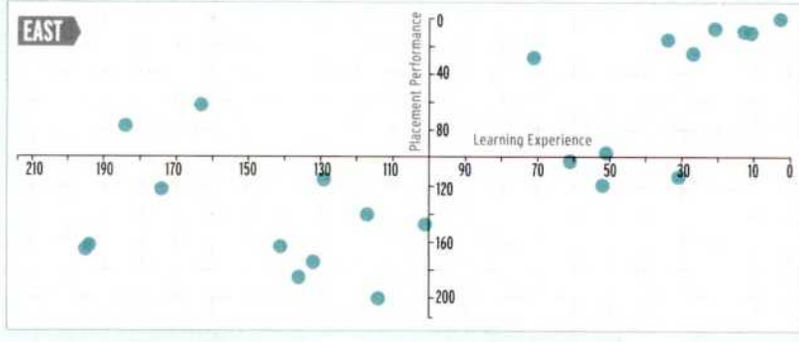
South zone too has a number of good business schools. With IIM-Bangalore not participating, IIM-Kozhikode and TA Pai of Manipal lead the way.

But the South also has the most colleges with low ranks in both placements and learning experience — busting the image of the South being tops in higher education.



West zone has the best correlation between learning experience and placements. In most cases, institutes ranked high on learning have excellent placements, and vice-versa.

There are some exceptions, though, such as Prestige Institute of Management, Dewas, which is placed No. 80 in learning experience but No. 189 in placement performance.



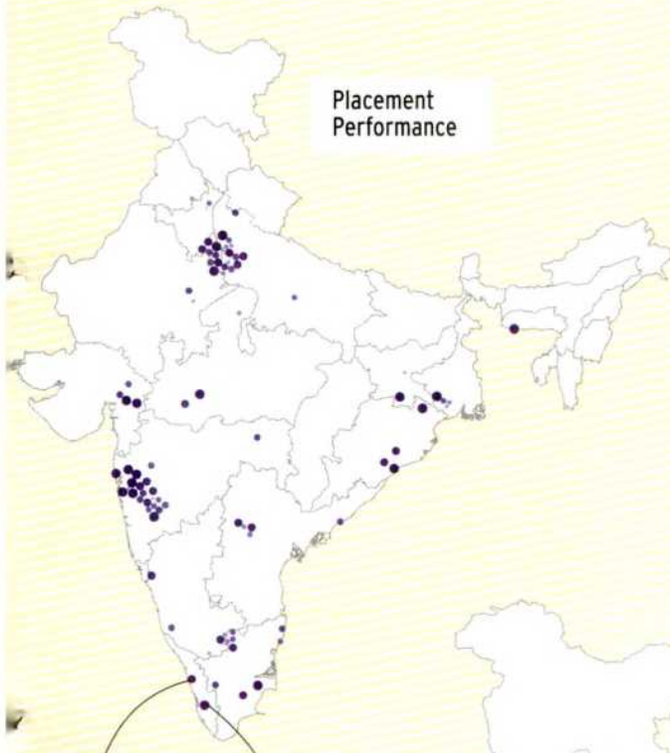
East zone has the fewest top business schools participating in our survey — perhaps reflective of the low population of institutes in the region.

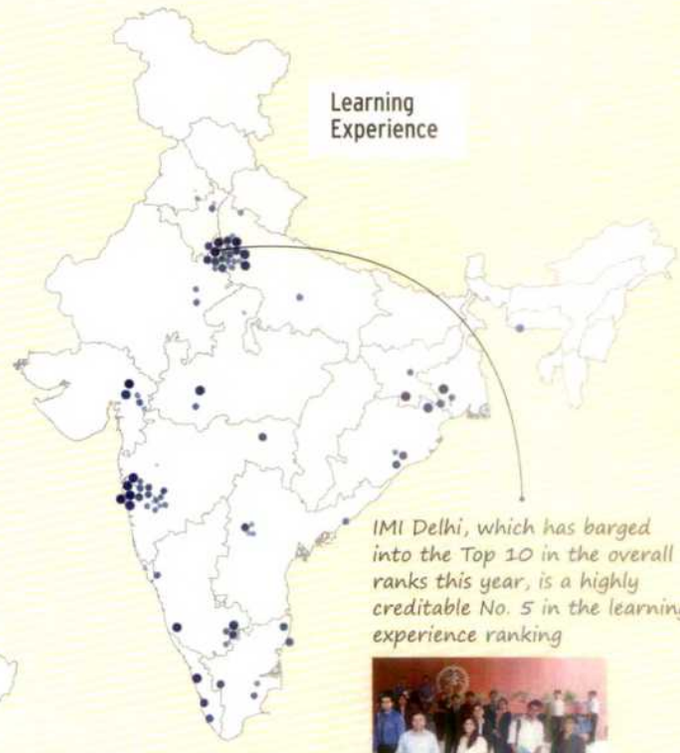
However, it takes up quite a few slots at the top in the learning vs placements quadrant, thanks to IIM-C, XLRI, and IIT-Kharagpur, to name a few.

Charts visualisation by Gramener

THE B-SCHOOL PICTURE

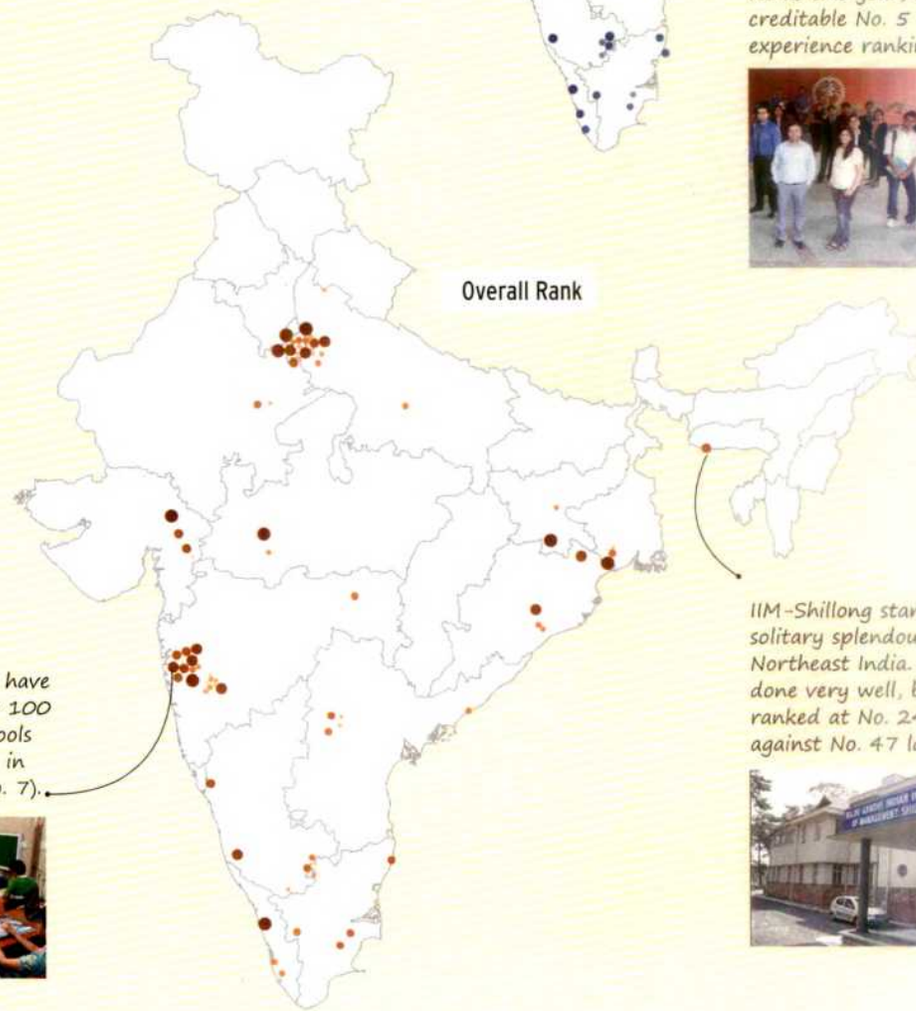
The spread of the top 100 B-schools in India by rank, placement and learning experience





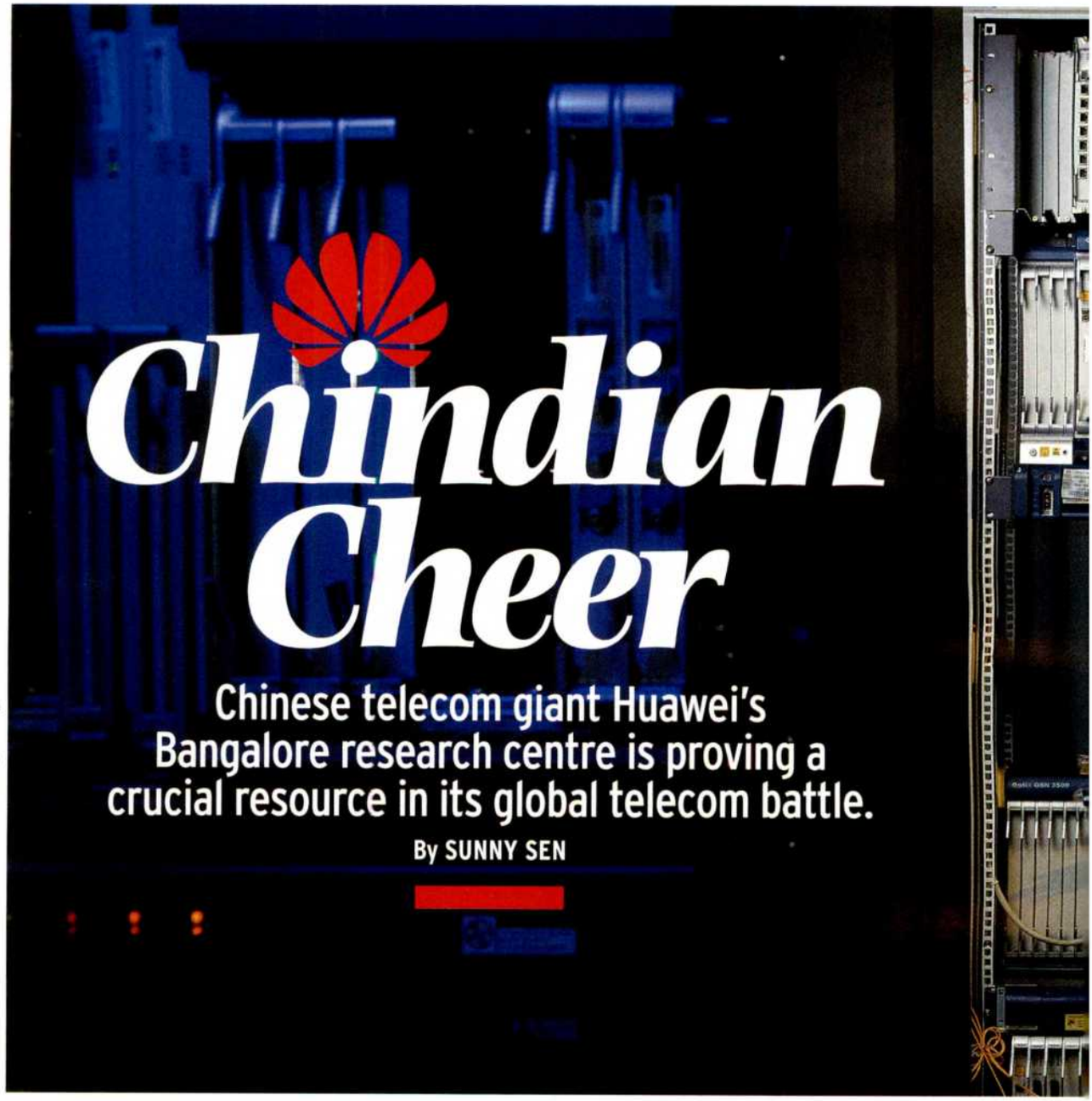
IMI Delhi, which has barged into the Top 10 in the overall ranks this year, is a highly creditable No. 5 in the learning experience ranking

IIM-Kozhikode is overall the top school of the South, but little known Rajagiri Centre for Business Studies has a better placement rank of No. 13, compared to IIM-K's No. 23



IIM-Shillong stands in solitary splendour in Northeast India. It has done very well, being ranked at No. 24 overall, against No. 47 last year

Maharashtra does not have an IIM. But in the Top 100 it has the most B-schools among all states - 23 in all, led by SP Jain (No. 7).



NILOTPAL BARUAH/www.indiatodayimages.com

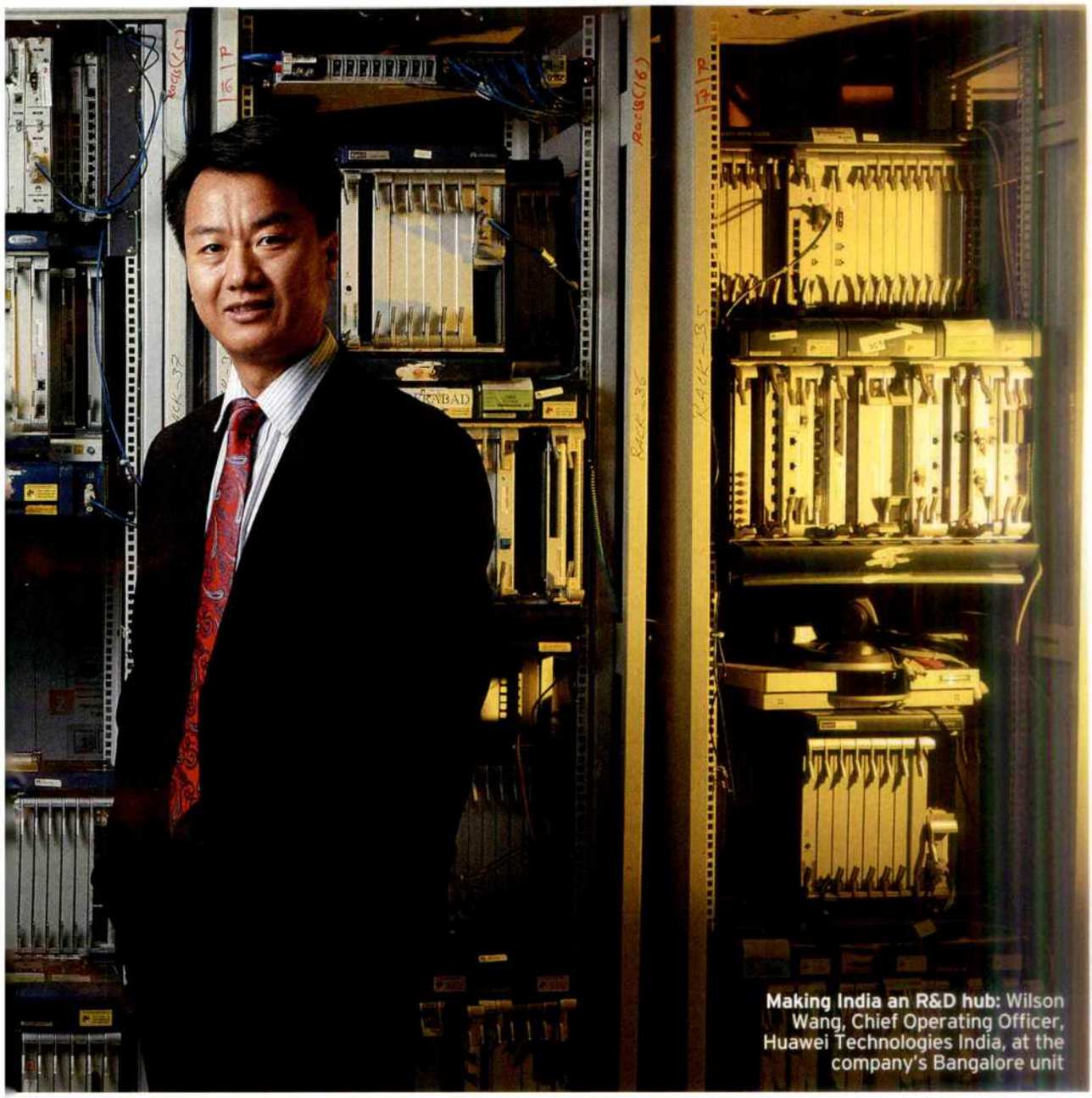
Chindian Cheer

Chinese telecom giant Huawei's Bangalore research centre is proving a crucial resource in its global telecom battle.

By SUNNY SEN

Ren Zengfie, CEO of Huawei Technologies, believes in taking decisions after careful deliberation. It was two-and-a-half years after he first thought of doing so that finally, in May this year, he gave an interview to the media – a group of journalists in New Zealand. It was his first – and so far only – such interaction since he launched Huawei 26 years back in what was then a sleepy fisherman's town in China called Shenzhen. (Today, it is a globally renowned manufacturing hub.) In comparison, Zengfie took barely a year to decide to set up Huawei's first research and development (R&D) centre outside China in Bangalore in 1999. That decision has had a pivotal role in shaping Huawei's future.

Huawei is now internationally fa-



Making India an R&D hub: Wilson Wang, Chief Operating Officer, Huawei Technologies India, at the company's Bangalore unit

mous for its prowess in making telecom equipment and networks. The Indian market comprises a small fraction of its global revenue. But the Bangalore centre is a different story – it has played a stellar role in Huawei's growth. It is not only the first but also the largest and fastest growing of Huawei's R&D units outside China, employing around 2,700 people and developing products and solutions for the company globally. No surprise, then, that Huawei recently announced an additional $2 billion investment in India, part of which is being used to build a second R&D facility in the country.

Raising the Bar

For years, Huawei was called a price warrior. Its products were cheaper, but hardly original. But all that changed in 2006 when it made the single-RAN (radio access network), a part of which was developed at Bangalore. This helps telecom operators graft technological innovations, such as 3G or a Long Term Evolution (LTE) service, onto their existing networks. Huawei claims the single-RAN brought down costs for operators by 33 per cent and helped them increase capacity by 25 per cent.

THE INDIA CONNECTION

The Bangalore centre's contributions to Huawei's rise

2000-2001

- R&D centre in Bangalore starts work on its first project, Softswitch

2002-2004

- Works on intelligent network projects and network management systems
- Works on wireless networks, mobile handset applications and network security

2005-2006

Starts supporting large global clients like British Telecom, Vodafone and China Mobile from India

2007-2012

- Starts work in new domains such as big data, software defined networks and managed services
- Pioneers agile and lean development for Huawei globally

Such an innovation would never have been possible without cutting-edge R&D, says Ken Hu, Deputy Chairman and Rotating CEO of Huawei Technologies. "Huawei's innovation is very customer-centric," says Hu. "It will begin where customers' need starts and end where the customers' need ends."

The telecom industry is all about capacity – the more subscribers an operator has, the better for it. India thus became the benchmark for handling a large number of subscribers at low cost, says Wilson Wang, Chief Operating Officer of Huawei Technologies India. It required ramping up capacity of operators so that the systems could support more subscribers. It made an overhaul of the billing and charging system imperative. The Bangalore unit worked closely with Huawei's clients to achieve this.

Among its customers was Bharti Airtel, India's largest operator by subscribers and revenue. "The platforms and components delivered by the India centre were later deployed for the majority of leading global operators including Vodafone, T-mobile, China Mobile, KPN (Holland), Deutsche Telekom, and Megafon," says Wang.

Even competitors such as Nokia Solutions and Networks (NSN) acknowledge the application and product development carried out at Huawei's R&D centre in India. "It constantly watches its competition, and often develops products better than its competition, and a lot of that is happening in India," says a former NSN employee.

Over the last 13 years, the Bangalore R&D centre has worked on next-generation networks such as 3G and 4G, network operating systems, mobile broadband software platforms, service delivery platforms and mobile broadband software.

India, and Then

With its engineering prowess, India has become the hub for Java-based software development. In 2000/01, the Bangalore unit started work on ring-back tone solutions. This was first deployed in China Telecom and later taken around the globe. Today, Java is being used in a host of other application solutions which make telecom networks intelligent. "Increasingly, more software is being deployed in network," says Kamlesh Bhatia, Research Director with Gartner. "A lot of future networks will be software-driven, which will require a lot of IT skill sets."

Huawei in a very short span of time has outpaced European competitors, such as NSN and Ericsson. It became the world's largest telecom networks company in the last quarter of 2012, closing the year with revenue of ₹220,198 crore and profit of ₹87, 577 crore. It made investments worth ₹30,090 crore in R&D. Huawei signed its first international agreement with Hutchison Telecom (Hong Kong) in 1997. Since then it has signed contracts in more than 150 countries with most of the telecom operators. About 70 per cent of its revenue comes from outside China.

Application and product developments, along with building and improving networks, will help Huawei double its revenues by 2017, asserts Hu. About 40 per cent of this will come from new businesses such as smartphone and enterprise business, he maintains.

Products such as Voice over LTE, where data will be used to transmit a call, are being developed in India and have already been deployed in Latin America and

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Admission & Scholarship Test Schedule*

For Yearlong Classroom Contact Programs (YCCPs) through ResoFAST

S. No.	Eligibility (Appearing in School/Board Exam in 2014)	Date of ResoFAST	Test Time	Test Cities#	Last Date to Deposit the Fee (To Confirm Admission & Benefits)	Course Commencement Date (Day)
1.	Class- X, XI & XII	20.10.2013	09:00 AM to 12:00 Noon	All Resonance Study Centres	15.11.2013	**Class-XI:** 07.04.2014 (Monday)
2.	Class- X, XI & XII	17.11.2013			29.11.2013	**Class-XII:** 01.04.2014 (Tuesday)
3.	Class- X, XI & XII	01.12.2013			20.12.2013	**Class-XIII:** 14.04.2014 (Monday)
4.	Class- X, XI & XII	22.12.2013			30.12.2013	

Cost of Admission Packet: JEE (Main+Advanced): ₹ 500/- | JEE (Main): ₹ 250/- | NEET/AIIMS: ₹ 250/-

#**Test Cities:** Kota, Jaipur, Bhopal, Delhi, Lucknow, Kolkata, Nagpur, Mumbai, Udaipur, Ahmedabad, Patna, Bhubaneswar, Indore, Sikar, Jodhpur, Ajmer, Agra & Nanded

*For Target JEE (Advanced): Test is mandatory for Admission & Scholarship. | For Target JEE (Main) & NEET/AIIMS: Direct Admission but Test is mandatory for Scholarship.

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Delhi, Kolkata, Mumbai, Ahmedabad: (STD Code) 31922222 | Sikar: 01572-319222 | Nanded: 9373507998

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"Huawei's innovation is very customer-centric. It will begin where customers' need starts and end where the customers' need ends."

Ken Hu, Deputy Chairman and Rotating CEO, Huawei Technologies

Germany. Huawei is also making solutions in India which will help companies integrate their telecom and software, further reducing costs for operators.

About three years back, Huawei realised that if it had to succeed in Android-based smartphones, it had to differentiate itself from the competition. So it is developing its cloud strategy which will help all wireless access devices to connect and use the Internet in a better way. It has also built what it calls the Emotion UI (user interface). "The UI is intelligent and makes it easier for consumers to customise their phones," says Jerry Huang, Director of Marketing Communications at Huawei Device Co. All Huawei smartphones will have this interface. India's R&D centre has complete ownership of the Android-based smartphone key components such as Social Networking Service, Personal Information Management, messaging and email, Android-operating system applications as well as management solutions for all products of Huawei devices. Just two-and-half years into retailing smartphones, Huawei has already become the third-largest phone company globally.

India's importance is growing for Huawei. It has started a Huawei Fan Club in India, the only country outside China where it has done so. It is a campaign that helps to understand the customer better. The inputs later become reference points for product development. "India is very good for emerging markets," says Huang.

Hu is not chasing revenues any more. He is keener to take technology development to the next level at Huawei, which is not possible without a skilled team of engineers. That is the reason India is important to the company. "We don't care about passports," says Hu. "We want the best technical staff."

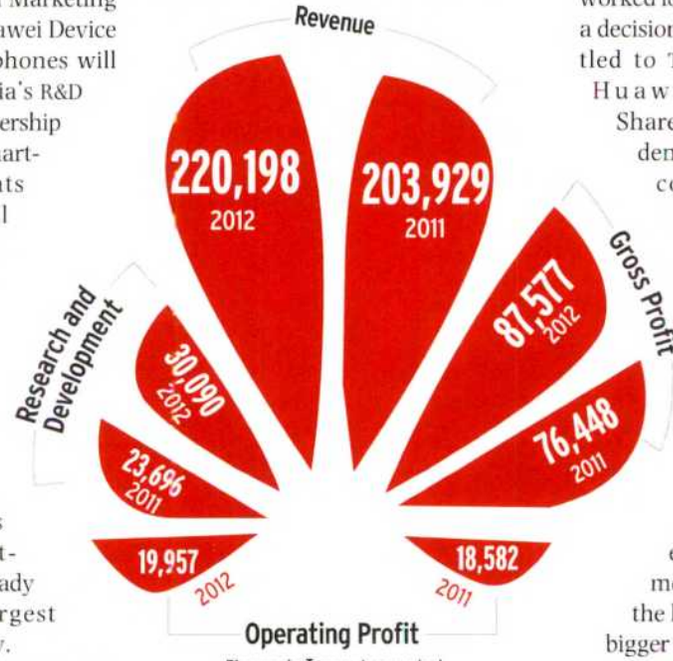
In an effort to retain talent in India, Huawei, which is still privately held by 50 per cent of its 150,000-strong employee base, has started a programme to give Indian employees stock options in Huawei Telecommunications India Pvt. Ltd. For the first time in Huawei's history, a pilot project called 'Time-based Unit Plan' (TUP) was started in February in India. "Anyone who has worked for more than three years at a decision-making level will be entitled to TUP," says Scott Sykes, Huawei's spokesperson. Shareholders will receive dividends in cash, based on the company's performance every year over a five year cycle. If things go as planned, the TUP scheme will later be taken to other Huawei locations globally.

Huawei's future depends upon using technology and software to bring down cost and make networks more efficient. Clearly, development work in India will be the key to Huawei becoming a bigger player. ◆

The writer travelled to China at an invitation from Huawei

STRENGTHENING THE CORE

Huawei's revenues and profits are rising, it is investing heavily in R&D



Figures in ₹crore (converted from RNB; 1 RNB=₹10)
Source: Company

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TOASTING THE FUTURE

The first *Business Today*-YES Bank Emerging Companies Excellence Awards 2013 crowns the mid-sized, unlisted companies that are fast emerging.

By ARUNIMA MISHRA

For D.C. Jain, Chairman of Delhi-based Akums Drugs & Pharmaceuticals Ltd, recognition from *Business Today* came as a significant milestone. His company received the overall Best Emerging Companies Award in the *Business Today*-YES Bank Emerging Companies Excellence Awards 2013 function held on September 27 at the ITC Maurya hotel, New Delhi. "That we have been recognised is the biggest achievement for us," said Jain.

Business Today is the only business magazine to institute an award to recognise excellence in emerging companies. The criteria for consideration for the inaugural round of

Full of promise: Winners of *BT*-YES Bank Emerging Companies Excellence Awards 2013 with chief guest Union Minister for Petroleum and Natural Gas M. Veerappa Moily (centre), guest of honour M. Damodaran (seventh from right), *Business Today* editor Chaitanya Kalbag (eighth from right). Amit Kumar of YES Bank is sixth from right (in dark suit, in front)

PHOTOGRAPHS BY SHEKHAR GHOSH & SOUNAVA RAY SARKAR

awards this year were that the company should be unlisted, innovative, and mid-sized (turnover of ₹200-1,000 crore in 2011/12). Some 526 companies applied for the award, of which 177 made it to the second phase of the contest.

Jain said: "We never expected we would win. We have 30 years of experience in the pharmaceutical line. Akums was formed in 2004/05, and we made profits beyond our expectations. We supply to many big pharma companies in India. We have six units in Haridwar and our manpower strength stands at 5,000." His company also won the award for corporate governance.

Union Minister for Petroleum and Natural Gas, M. Veerappa Moily, was the chief guest of the awards ceremony. During his inaugural address, he underscored the need to reduce India's oil and gas imports, and said India could become energy independent by 2030.

He said: "I've now appointed a committee under the chairmanship of [economist] Vijay Kelkar, and I've given him a mandate: by 2020, 50 per cent of imports should be reduced, which should become 75 per cent by 2025." He added that the government should take bold decisions in the energy sector. He shared the success story of a nine-million-tonne refinery in Barmer, Rajasthan, which will make indigenous oil available in two to three years.

"Emerging entrepreneurs can unleash the energy of this country," he said. "With the kind of demographic dividend we have, in another 10 to 30 years, the youngest population as well as entrepreneurship will take India to the next level."

For almost 22 years, *Business Today* has been recognising excellence in business through a series of surveys and awards. This year, given the economic conditions, it was time to come up with a new category of recognition – emerging companies, where there is a lot of activity.

Business Today Editor Chaitanya Kalbag said: "We sought the help of the Ministry of Corporate Affairs for databases of unlisted companies through the Registrar of Companies. YES Bank was our knowledge partner

From left: Guest of honour M. Damodaran, D.C. Jain, Co-founder of Akums Drugs & Pharmaceuticals, winner of the overall award, Chaitanya Kalbag, Minister M. Veerappa Moily, Amit Kumar of YES Bank, and Akums Director Sandeep Jain

and PricewaterhouseCoopers did all the checks and balances for us."

Besides the overall award, there were eight other honours, of which five were for financial performance. In the third phase of the competition, a five-member jury went through the short list of nominees and chose the winners. The jury, chaired by Ashok Chawla, Chairperson of the Competition Commission of India, also included G.N. Bajpai, former chairman of the Securities and Exchange Board of India (SEBI) and current Chairman of insurer Future Generali, Shardul Shroff, Managing Partner at law firm Amarchand & Mangaldas & Suresh A. Shroff & Co, Ravi Sud, Senior Vice President and CFO of Hero MotoCorp, and Bakul Dholakia, former director of IIM Ahmedabad and current Director of the Adani Institute of Infrastructure Management and Gujarat Adani Institute of Medical Sciences.

Kalbag noted that the award-winning companies had performed consistently well, during times of good and poor economic growth. "These are the ones who are going to be tomorrow's top corporate leaders," he said. "We recently gave away awards in the SME sector. It's a natural evolution from SMEs to emerging companies." The *BT* 500 list would be next, he added. "We track corporations in all stages of their development."

Two companies tied for the Global Business Excellence award – Transasia Bio-Medicals Ltd, Mumbai, and Raajratna Metals Industries Ltd, Ahmedabad. Transasia Bio-Medicals now exports diagnostics equipment to more than 90 countries. Raajratna Metals Industries exports steel wires and bars to nearly 60 countries.

The Capital Management award went to GR Infraprojects Ltd, Udaipur. The award for Most Innovative Company went to Minex Metallurgical Company Ltd, Mumbai, while Tulasi Seeds Pvt Ltd, Guntur, won the award for CSR and Sustainable Development. Dr Lal PathLabs, Gurgaon, won the award for Best Employment Creation.

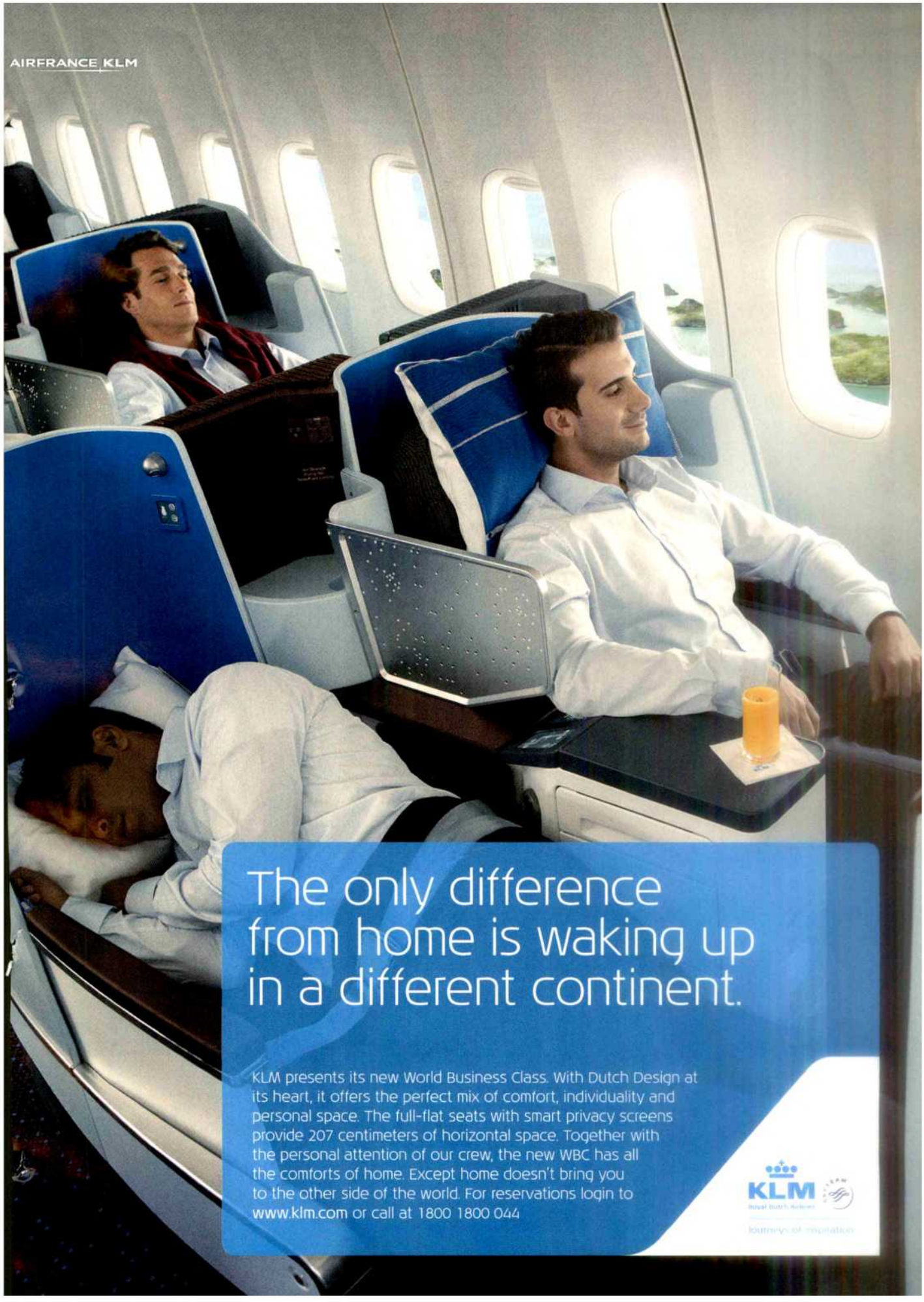
"We feel humbled that we have got the award," said Brig Dr Arvind Lal (Retd), Padma Shri award winner and Chairman and Managing Director of Dr Lal PathLabs. He said his company had 4,000 people and 200 pathologists in 150 labs and 2,500 collection centres across the country.

Ahmedabad-based Eris Lifesciensces Ltd won two awards – one for Scalability of Business Model, and one for Managing Operational Efficiencies. "We are happy to be selected," said Amit Bakshi, Chairman, Eris Lifesciences Ltd. "Next, from one of the best emerging companies, we want to become one of the best companies." Started in 2007, Eris has scaled up rapidly – its revenue has grown 48 times since the first year.

The guest of honour was M. Damodaran, former Chairman of SEBI and the Unit Trust of India. Now, as Chairman of Glocal Healthcare Systems, he is involved in pioneering work by bringing affordable health care to small towns. He is also the chairman of Indian Institute of Management, Tiruchirappalli.

He said: "This is a very good endeavour, as you are not rewarding the biggest, but you are rewarding the next set of people who aspire to size, profitability and the highest level that they can reach. These are tomorrow's multinational giants who will bear India's flag as they have the energy, ambition and enthusiasm." He said there should be more categories in the Emerging Companies Excellence Awards next year.

Amit Kumar, YES Bank's Group President and Country Head, Corporate and Institutional Banking, said: "YES Bank and *Business Today* have successfully presented CFO survey and awards and SME survey and awards for four years in partnership, to recognise exemplary achievements by marquee CFOs and success-driven SMEs. With the Emerging Companies excellence Awards, YES Bank and *Business Today* have forayed into the hitherto under-researched, growth-oriented, innovative and success-driven enterprises." YES Bank was the presenting sponsor of the event. ◆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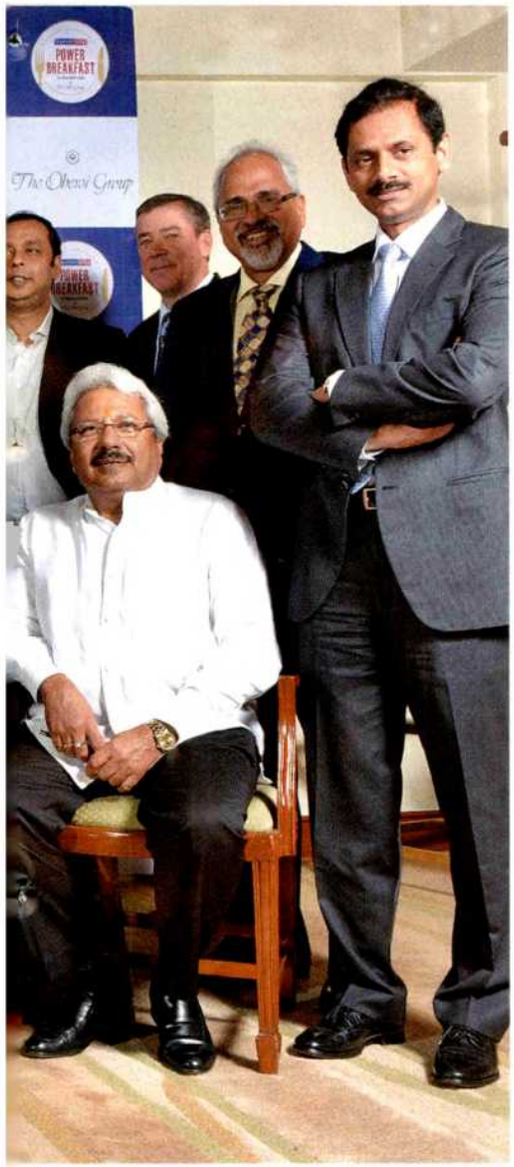
HOME'S BEST

CEOs attending the *Business Today* breakfast meet in Mumbai agreed India was a better place to do business in than overseas. By ARPITA MUKHERJEE



Gung-ho on India:
(Standing left to right) M.G. Parameswaran, ED & CEO, Draftfcb-Ulka Advertising; Kishore Biyani, Founder & Group CEO, Future Group; S. Raghunandan, CEO, Jyothy Laboratories; Uday Shankar, CEO, Star India; John G. Atkinson, President, Hiranandani Living; Moorthy K. Uppaluri, CEO, Randstad India & Sri Lanka; Jaideep Khanna, CEO, Barclays India; Devendra Bharma, Executive VP, Mumbai Hotels, The Oberoi Group; Kaushal Sampat, President & CEO, Dun & Bradstreet India; Promeet Ghosh, MD, Temasek Holdings Advisors India; Michael J. Surface, Advisory Leader, PwC; Madhukar Kamath, Group CEO & MD, DDB Mudra; V. Vaidyanathan, CMD, Capital First

(Sitting left to right) Saugata Gupta, CEO, Marico Ltd; Nina Lath Gupta, MD, National Film Development Corporation; Chaitanya Kalbag, Editor, *Business Today*; Abanti Sankaranarayanan, MD, Diageo India; Sunil Alagh, Founder & Chairman, SKA Advisors

When a large number of CEOs, chairmen and managing directors meet over breakfast at a time like the present, the uncertain economic situation is bound to be discussed. This is exactly what happened in Mumbai on September 24, at the *Business Today* Power Breakfast, organised in association with The Oberoi Group. Moving on, the talk gradually coalesced around the topic: "Would you rather do business in India or overseas?"

The Power Breakfast, the third held so far – the earlier ones were in New Delhi and Hyderabad – was yet again moderated by *BT* Editor Chaitanya Kalbag, along with Managing Editor Josey

"I have been told by a very close friend to move out, but I will never move out of India"

KISHORE BIYANI
FOUNDER & GROUP CEO, FUTURE GROUP

"What people see in India is the energy, the vibrancy, the long term consumer opportunity, and that is really exciting"

ABANTI SANKARANARAYANAN
MD, DIAGEO INDIA

"As long as we had growth, investors and even entrepreneurs in India were willing to forgive a lot. Now questions on growth have started to be raised again"

RASHESH SHAH
FOUNDER AND CHAIRMAN, EDELWEISS GROUP

"There is a sense of frustration with the regulatory system and with the economy. But underlying all this is a very strong conviction in the long term story of India... There are few other countries which have the growth that we do"

JAIDEEP KHANNA, CEO, BARCLAYS INDIA

"We don't seem to have a strategy in place to grow manufacturing... The country will have a serious problem if manufacturing does not grow within the next 10 to 15 years"

S. RAGHUNANDAN
CEO, JYOTHY LABORATORIES

"We are in India because this is the market we understand and where we create value. I don't think there is a question in any of our minds about looking beyond India, or substituting India with some other country"

UDAY SHANKAR, CEO, STAR INDIA

"(We should) start looking at India state wise. Each state is huge and the kind of business you can get there is massive... Pick the state you want to work in and the kind of industry you want to be in"

SUNIL ALAGH
FOUNDER & CHAIRMAN, SKA ADVISORS

Puliyenthuruthel. Seventeen CEOs took part over a scrumptious spread in the Jaipur Suite on the 21st floor of The Oberoi, overlooking the Arabian Sea, hosted by Devendra Bharma, Executive Vice President, Mumbai Hotels, The Oberoi Group. The discussion unanimously concluded that, whatever the shortcomings of its business environment, India offered a much bigger opportunity for growth than overseas markets. A no holds barred approach was apparent as participants spoke their minds.

At a time when many corporate houses such as Bharti Airtel, Godrej Industries and Aditya Birla Group were looking at global growth, Kishore Biyani, Founder and Group CEO, Future Group, said he would never move out of India. Echoed Uday Shankar, CEO, Star India: "We are in India because this is the market we understand and where we create value. I don't think there is a question in any of our minds about looking beyond India, or substituting India with some other country."

So too for Sunil Alagh, Founder and Chairman, SKA Advisors, India is a diverse and interesting market with a lot to offer. "People have money and they don't want to spend it. So, the question is what is being done to encourage people to spend because they have the money," said Alagh, adding that business focus should move to individual states instead of always considering the nation as a whole. "Each state is huge and the kind of business that you can get there is massive... Pick the state you want to work in and the kind of industry you want to be in," he added.

The panellists agreed that the Indian economy had been going through a slump, due to both unclear government policies and the difficult global economic scenario. They, however, concurred that there was continued investor interest in India. The India story was still strong and much of the gloom overdone.

"It is currently very fashionable to criticise India," said Rashesh Shah, Founder and Chairman, Edelweiss Group. He, however, noted that earlier, entrepreneurs in India were willing to put up with a lot of problems in the country because there was high growth. "Now question on growth have started to be raised again... And it is one of the key reasons people are now starting to question if India is a good place to do business, or if there is real opportunity there," he said.

Abanti Sankaranarayanan, Managing Director, Diageo India, saw opportunity in the country, and said that people who had to come

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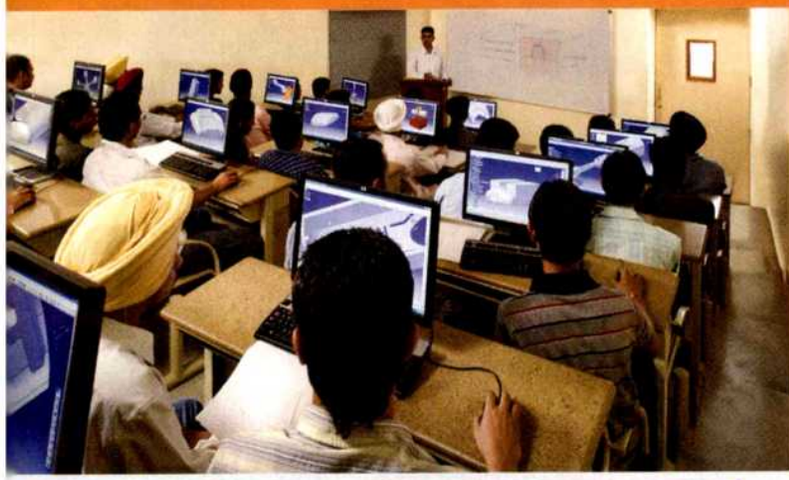

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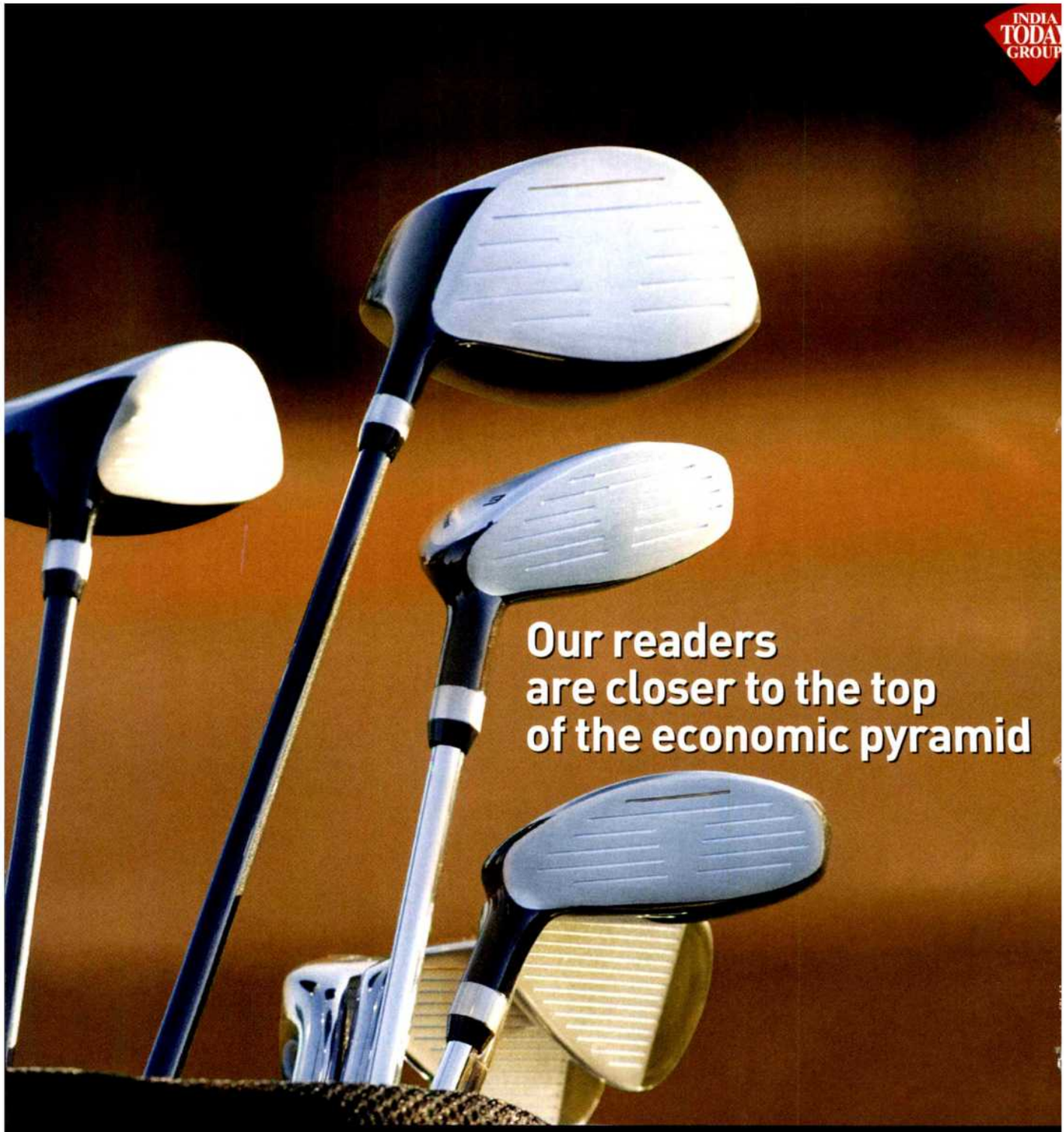

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and work in India could see the energy, the vibrancy, and the long term consumer opportunity here. "That is really exciting for people who often have the option of being in relatively more mature, but stagnant markets like Europe and the US," she said.

Jaideep Khanna, Country Head, CEO and Head, Corporate and Investment Banking, Barclays India, emphasised that many non-resident Indians wanted to invest in India, considering very few nations offered the kind of growth opportunities this country does. Madhukar Kamath, Group CEO and Managing Director, DDB Mudra, agreed, adding: "The challenges that we have encountered and the diversity that allows us to flourish, make it far more exciting to do business here than elsewhere."

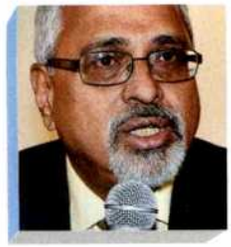
The general view was that India, as a market, worked very well for India-bred entrepreneurs, who were best accustomed to the country. Said V. Vaidyanathan, Chairman and Managing Director, Capital First: "One thing that India needs to do is to rechristen itself. Instead of 'incredible India', it should be 'business friendly India'."

Many participants felt that unless issues such as red tape and an unresponsive bureaucracy changed for the better, not much could be done to hold back the growing negative sentiments about business opportunities in the country. Future Group's Biyani added that entrepreneurship had never been encouraged in India and unless new entrepreneurs arose and created new businesses, the country would not be able to create the jobs it needed.

Moorthy K. Uppaluri, CEO, Randstad India and Sri Lanka, said that even established players in every industry had to run from pillar to post for various licences, time and again. "This shows the system had been designed decades ago and we continue to comply with the same system," he added. Another panellist maintained that the political class, the bureaucracy and the judiciary had all become "inactive" and it was the public at large which brought this upon itself. "Some of the things that we have done as a community, benefiting from the system, are coming back to haunt us," he said.

Saugata Gupta, CEO, Marico Ltd, said there would be headwinds in the future, and the government would realise the need to invest in infrastructure. "Subsidies make a nation lazy, while investment in infrastructure drives jobs and entrepreneurship," he said.

The conclusion: India's growth story was intact, although it had developed some crinkles that needed ironing out. Other industry leaders present at the meet were Nina Lath Gupta, Managing Director, National Film Develo-pment Corporation; M.G. Parame-swaran, Executive Director and CEO, Draftfcb-Ulka Advertising; S. Raghunandan, CEO, Jyothy Laboratories; John G. Atkinson, President, Hiranandani Living; Kaushal Sampat, President and CEO, Dun & Bradstreet India; Promeet Ghosh, Managing Director, Temasek Holdings Advisors India; and Michael J. Surface, Advisory Leader, PwC. ◆

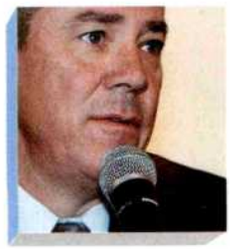


"The challenges that we have encountered and the diversity that allows us to flourish, make it far more exciting to do business here than elsewhere... I would not want to do business anywhere else"

MADHUKAR KAMATH
GROUP CEO & MD, DDB MUDRA

"There will be headwinds and the government will realise that it needs to invest in infrastructure... Subsidies make a nation lazy, while investment in infrastructure drives jobs and entrepreneurship"

SAUGATA GUPTA, CEO, MARICO LTD



"There is fatigue (among people who have capital to lend). People are ready to give you capital but people who need capital have to go out, and do a lot more, to get it"

MICHAEL J. SURFACE
ADVISORY LEADER, PwC

For previous *BT* Power Breakfast, go to
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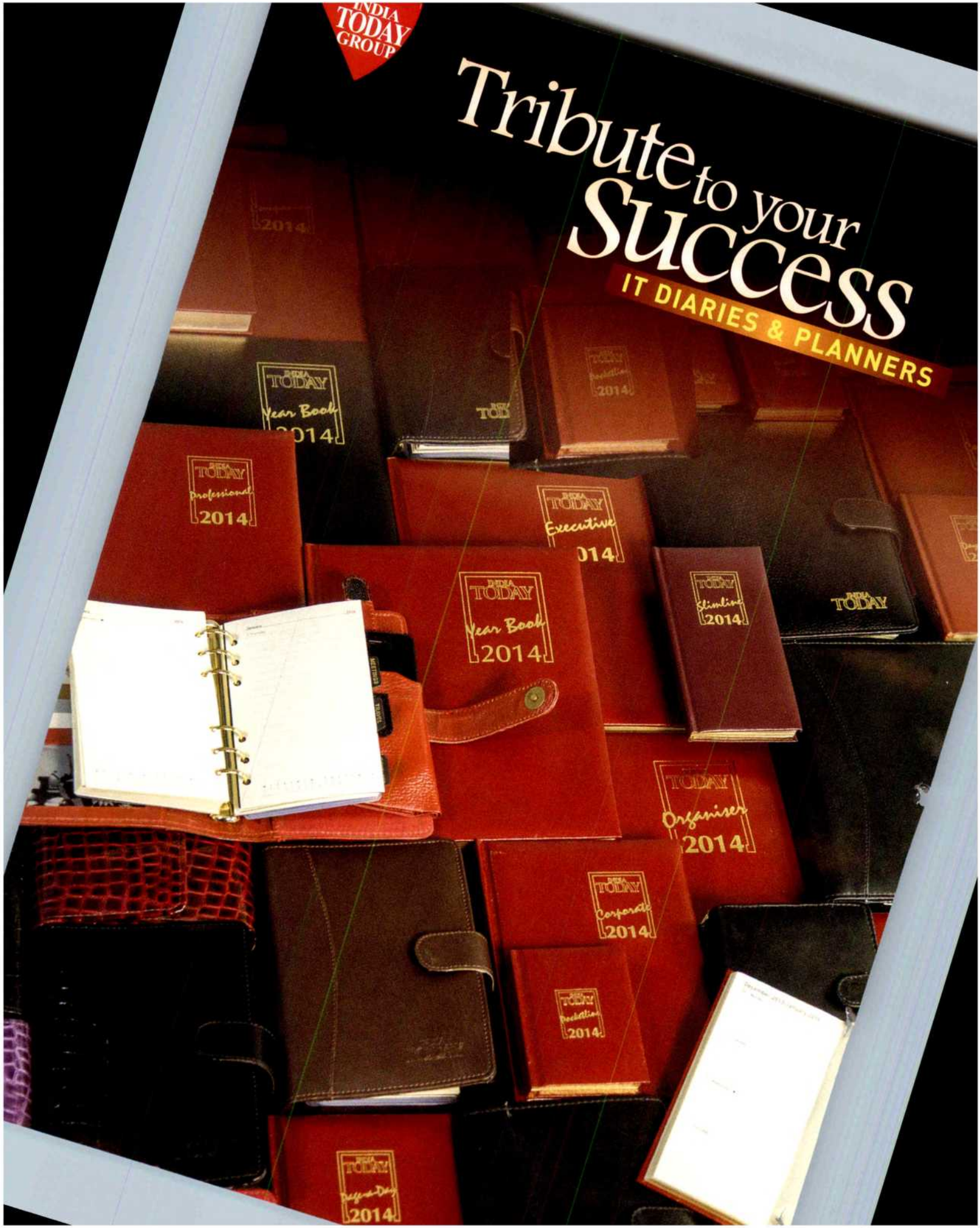
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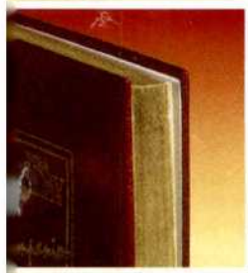

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By N. MADHAVAN

PAWAN DAGIA/AUTOBILD INDIA

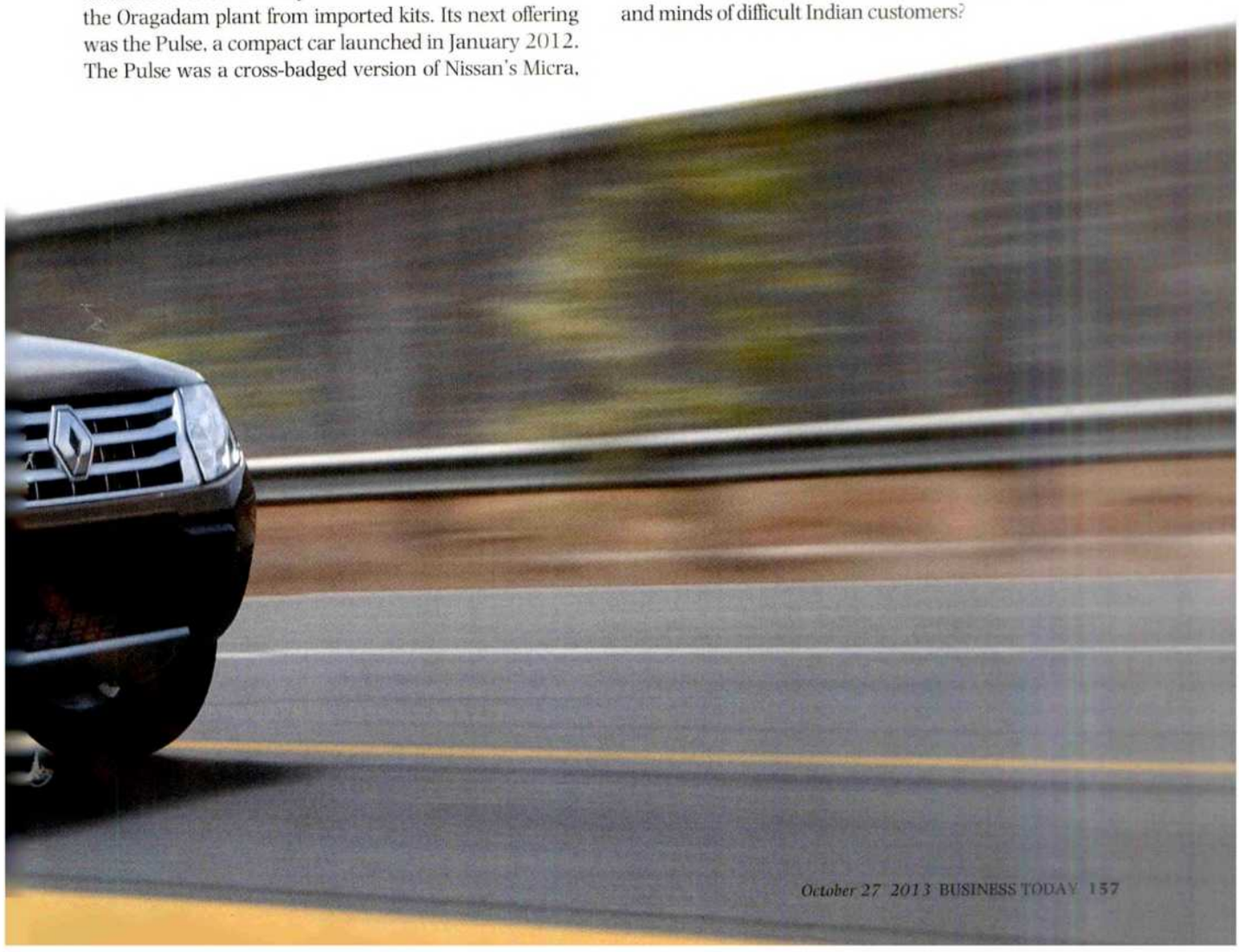
When French automotive giant Renault first entered India through a joint venture with Mahindra & Mahindra, it placed high hopes on its maiden product offering Logan – a mid-sized sedan launched in 2007. But the car with its dated looks and high pricing failed to strike a chord with Indian consumers. Such was the scale of the failure that it ended up killing the joint venture in 2010. Renault's brand name took a massive hit in India. Ironically, the Logan's failure laid the foundation for the success of Renault's compact sport-utility vehicle (SUV) Duster.

After its break-up with Mahindra & Mahindra, Renault chose to go alone. It set up a ₹4,500 crore factory at Oragadam near Chennai along with its global partner Nissan Motor Company. The facility caters to the needs of Nissan and Renault. But the Logan debacle continued to haunt the company. The first few products it rolled out from the new plant were positioned as "image drivers". It launched premium sedan Fluence in May 2011 and premium SUV Koleos that September. Both were assembled at the Oragadam plant from imported kits. Its next offering was the Pulse, a compact car launched in January 2012. The Pulse was a cross-badged version of Nissan's Micra, and was also positioned as a premium offering. Renault's focus on resurrecting its image in India and consequent premium offerings meant poor volumes in a country that prefers value for money.

Renault desperately needed a "volume driver" to shore up its operations. It identified a gap in the SUV segment. "There were SUVs costing ₹20 lakh and above manufactured by global players and those priced from ₹6 lakh to ₹10 lakh produced by Indian companies. We saw an opportunity there," says Armelle Guerin, Director, Product Planning at Renault India. The company launched the Duster priced between ₹8 lakh and ₹12 lakh in July 2012.

The Duster took the Indian market by storm. It fuelled the segment of compact SUVs and grabbed a 23 per cent market share within a year. The Duster's success was such that Renault had to triple production within months of its launch from seven per hour to 20 per hour. Today, one in three cars produced at the Oragadam plant is a Duster. That is not all. The Duster today accounts for 86 per cent of Renault India's production, 81 per cent of its sales and 100 per cent of its exports.

How did a predominantly European car win the hearts and minds of difficult Indian customers?

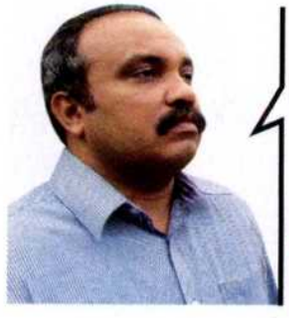


A MARKETING ACHIEVEMENT

The Duster's success is more of a marketing achievement than the result of engineering excellence. Renault's strategy indicates a coming of age for the car industry in India with focus on customer-centric product development and use of consumer insights to drive engineering. Renault identified a gap in the market and used the customer voice to develop an appealing product.

Though the market has matured considerably in the last decade, cars remain an aspirational product bought more for their image than only for their functionality. This is more so with an SUV. If customers were rational and made an objective comparison of costs and benefits, an SUV might not be a good choice except when the terrain demands it. SUVs are big, unwieldy, difficult to manoeuvre in cities, high on maintenance, and less fuel efficient. It is psychology and not economics that drives SUV buying. SUVs do provide functional benefits such as more space, off-roading capabilities, more power, and flexibility of use. But many customers never go off road. Renault has understood this consumer psychology. The Duster is designed with flared wheel arches, muscular body, roof rails, raised suspension and big tyres – all visual indicators to create the right image. Also, being small, it removes many limitations of a typical large SUV. The end result is a product that delivers a strong value-for-money proposition of price, convenient handling and mileage.

The Duster has opened up a new category which will attract considerable competition. The newness will wear off and the success that has put a large number of Dusters on the road will dilute the novelty of its looks. Keeping the product fresh by perhaps a mid-life facelift should be a priority. Also, heavy use on Indian roads tends to take its toll on cars. Problems like rattles, niggles, mechanical and electrical failures cannot be wished away, and so a robust service support is necessary. Renault has to invest considerably in the service channel to support a volume selling product. This will finally decide whether the customers who flocked in will remain loyal to Renault.



"It is a product that delivers a strong value-for-money proposition of price, convenient handling and mileage"

ANANDAKUTTAN B. UNNITHAN,
Professor of Marketing,
Indian Institute of Management, Kozhikode

DUSTER BY NUMBERS

60,000
Number of cars sold so far

20%
Market share in the compact SUV segment

20
Number of Dusters produced every hour

Accounts for **86 per cent** of Renault India's production, **81 per cent** of its sales and **100 per cent** of its exports

One in three cars made at the Oragadam factory of Renault-Nissan is a Duster

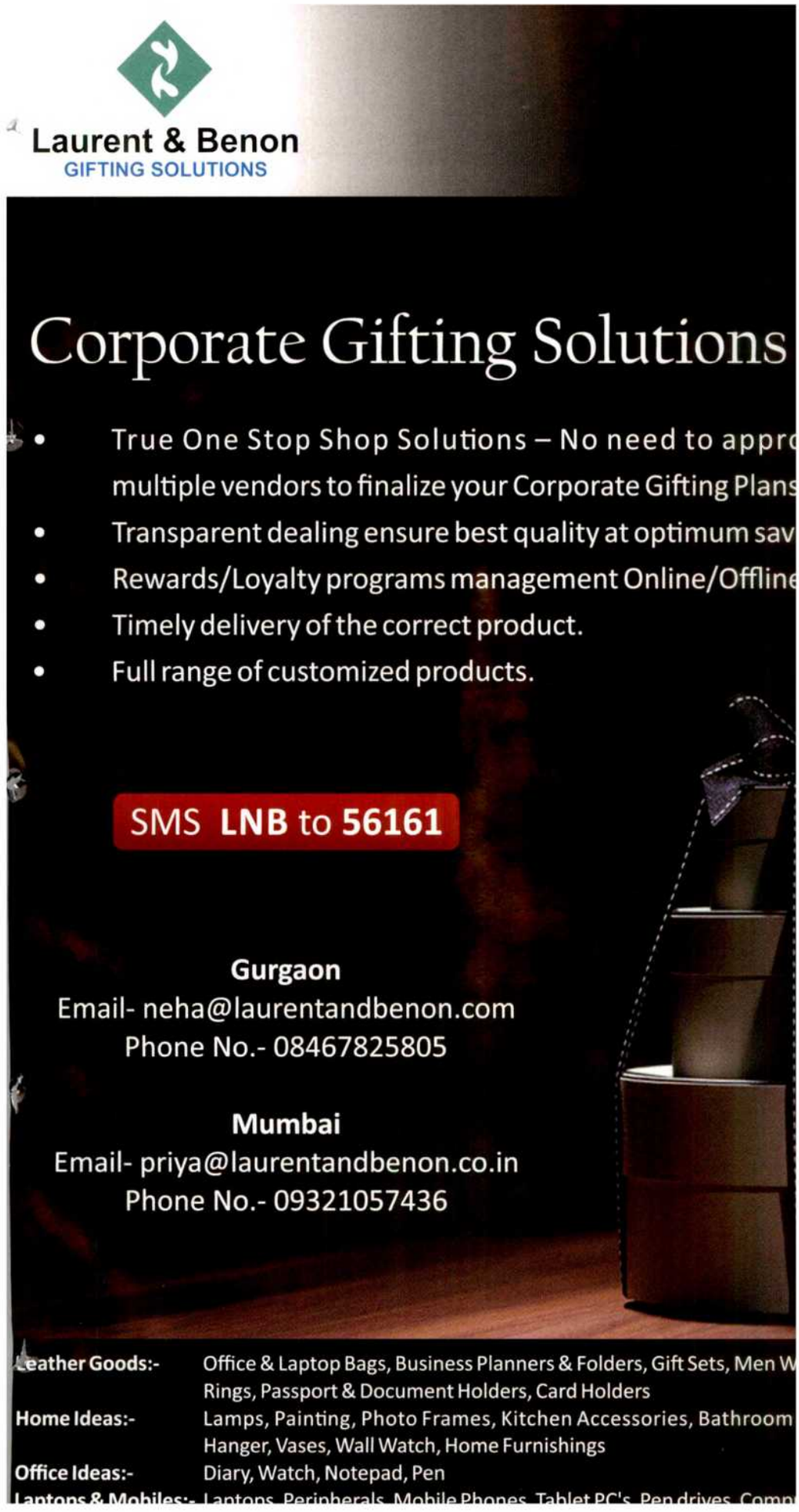
41
Number of modifications made in the car to suit Indian tastes

12 months
Time taken to modify the car

The answer lies in what Renault India did in the 24 months following its decision to bring the Duster to India. The Duster was Renault's first 'real' offering in India after the Logan. "The Logan's failure reminded us of the importance of understanding the customer, getting the product right and positioning the Duster correctly at the time of the launch," says Marc Nassif, Managing Director, Renault India.

The company went back to the drawing board to understand the Indian customer. It identified a focus group of about 200 people whose profile matched the potential buyer of the Duster. It then short-listed 30 families from this focus group across five Indian cities for an ethnographic study spread over two months. During this period members of the product development team lived with their target customers to observe them, understand their lives and needs. They also spent time with the customers to know what they liked and did not like about their vehicles.

The study threw up 41 modifications that the European Duster needed. Guerin says the exercise enabled the company to understand what a car should have to meet an Indian customer's needs. "We understood that a critical purchasing factor of a car in India is the exterior design," she says. "People loved an SUV with rugged looks that stood out in a crowd, but at the same time wanted it to operationally perform like a sedan – easy to drive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Rings, Passport & Document Holders, Card Holders
Home Ideas:- Lamps, Painting, Photo Frames, Kitchen Accessories, Bathroom
Hanger, Vases, Wall Watch, Home Furnishings
Office Ideas:- Diary, Watch, Notepad, Pen
Laptops & Mobiles:- Laptops, Peripherals, Mobile Phones, Tablet PC's, Pen drives, Comp

GET THE 5Ps CORRECT

The Renault Duster's success, in my opinion, can be attributed to the following factors:

1) Category growth: Growing demand for SUVs thanks to a number of launches by both Indian and foreign car makers, as is the case in most markets.

2) Competitive pricing: Almost all SUVs had been priced above ₹15 lakh, with most foreign models priced above ₹25 lakh, creating a sweet spot at ₹10 lakh and below, where the Duster is perfectly priced.

3) Safety: Given the bad traffic in most cities and horrendous accidents we see every day, the safety features of SUVs score higher versus sedans, as the perception is that they are safer, especially for families with children.

4) Increased road travel: The poor quality of roads and highways, and increased road travel by families for holidays and leisure makes SUVs very desirable.

5) Image: The macho image of SUVs and the perception they can be used on rugged terrains, although most people may never do any off-roading, makes them a hit.

6) Fuel economy and high price of petrol: This created a strong demand for fuel-efficient diesel cars.

All these factors, along with focused advertising and best-in-class after-sales service, have made Duster the top-selling SUV for the past few months, showing that even in a depressed market, if the brands get the 5Ps (product, price, promotion, place and people) correct, consumers will reward them through increased off-take.

The competition in the category will only intensify, with Ford being the first to come with EcoSport, another SUV offering very good value, and other brands are sure to follow. For Renault to continue with the success, it must focus on the elements that made Duster a hit – best-in-class after-sales service, competitive pricing (not necessarily the cheapest), understanding the needs of its consumers by continuing to connect with them, and offering very competitively priced service and spares – an area where most brands seem to fail.

The views expressed here are personal.

"The competition in the category will only intensify, with Ford being the first to come with EcoSport, and other brands sure to follow"

RAJAT WAHI,
Partner, Consumer and Retail, KPMG

DUSTER'S SUCCESS FORMULA

SANTOSH

and [offering] good fuel efficiency."

There were other lessons as well. The study revealed that Indian consumers liked a strong dose of chrome on their cars, especially the exterior. They liked body-coloured bumpers. Inside the car they preferred a dual-tone interior, and wanted the switches for power windows on the door rather than in the central console. Since a good proportion of Indian cars are chauffer-driven, the rear seats needed special treatment. Indians preferred inclined seats for greater comfort. Rear air-conditioning was critical and so was the armrest, a mobile charger and a reading light. Some storage space was also welcomed.

The European Duster did not have these attributes. Renault made several changes in the car to suit Indian conditions. These included reinforcing the suspension to tackle rough Indian roads and offering a higher ground clearance. It added more brackets to the car's doors as they tended to be used roughly. The engine was tuned to meet the quality of the fuel in India and deliver high efficiency of at least 20 km per litre. The tuning of the engine was done in Paris; the company shipped diesel from India to get the tuning right.

In early 2011 the company conducted a customer clinic in New Delhi to validate its learning. It put the prototype of the European Duster, after the necessary changes, alongside rival cars

A smart way to buy gold

*Gold ETFs are one of the safest and most cost-effective ways of investing in **physical** gold*

India and Indian's penchant for the yellow metal is a well documented fact. In recent years, the lure of gold has only seen the price of gold go up, without hampering the demand for it. The ever rising price of gold has also influenced many to consider gold as an investment option. Today, there are several ways to invest in gold including the traditional investment in gold coins and bars. But, what has caught the fancy of most people is the availability of paper gold in the form of investments in gold mutual funds.

In 2007, the first gold exchange traded fund or gold ETF was launched. ETFs, are open-ended funds that trade on a stock exchange just like the shares of an individual company. Gold ETFs are exchange traded funds that are meant to track closely the price of physical gold. So gold ETF lets you own gold in your demat account. Each unit of the ETF lets the investor own 1 gram or even half a gram of gold without physically owning it, depending on the ETF you invest in. Over the past six years, the gold ETF has emerged as a better medium of investing in gold instead of physical holding of gold in coins and bars.

To learn more about investment,

SMS 'EDU IT' to 5676766
or mail at
learning@icicisecurities.com
or log on to
http://learning.icicidirect.com

What is it?

The gold ETF is an open-ended mutual fund whose units represent physical gold that is 99.5 percent pure. The benefit of liquidity and marketability which are a limitation of owning physical gold are both addressed by gold ETF, making them a preferred investment vehicle in gold. The biggest attraction of gold ETF is the fact that it is liquid, making them tradable at any time during market hours. Gold ETF is marketable because one can trade any amount in it just like a normal stock including short selling and buying on margin.

Moreover, unlike gold coins and bars, for which most jewellers offer only an exchange and not a buyback that too with a heavy discounting on the gold being exchanged, gold ETFs can be sold at transparent prices across India. Even in terms of taxation benefits, gold ETFs are way ahead of the physical gold. No sales tax, VAT or securities transaction tax is applicable on gold ETFs. As units of such funds are traded like stocks on the exchange, it is eligible for the long-term capital gains after one year, unlike physical gold, which is eligible for long-term capital gains after three years. Besides, unlike physical gold, investors don't have to pay wealth tax on gold ETFs. To invest in Gold ETF all you need is a Demat Account.

The charges involved in purchase of Gold ETF includes a asset management fee charged by AMCs. There are additional costs involved at the time of buying and selling in the form of brokerage or commission. However, these costs are much lesser than that compared with the charges on physical gold i.e. making charges, discounting etc. Some ETFs are also less liquid than the others, which leaves the choice of gold ETFs an important factor. Keep these things in mind and you should be able to make an investment in paper gold with far less hassles than investing in physical gold.

These days AMCs have introduced a gold fund of fund, which helps investors to invest in paper gold without a demat account. This route, does add a little to costs, but does help investors to invest a fixed sum through SIP instead of buying a fixed unit of gold, as is the case in case of a gold ETF. As ETFs can be traded only on the exchanges; an online broking account makes investing as simple as clicking the mouse to get started.

Advantage of Gold ETFs

- Listed and traded just like a stock
- Flexibility to buy gold in smaller lots
- Online demat account holders can easily invest
- No storage cost or security concerns
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- Less expensive in terms of chares as compared to physical gold

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in a price range of ₹7 lakh to ₹12 lakh, and asked a few potential customers and car experts for their views. All of them had to also sign a confidentiality agreement with Renault. "What we got was a 'wow'," recalls Guerin. "The feedback we got showed us that we were on the right track."

The company then set to make actual changes in the car. "We identified a 3F strategy – Fast (the adaptation to Indian needs must happen within 12 months), Frugal (on limited budget) and Fantastic (with no compromise on quality)," says Karim Mikkiche, Managing Director, Renault Nissan Technology & Business Centre India, whose team executed the changes to the car. Three teams – the product development team, Renault's design studio in Mumbai and a team of engineers – began to work as a small company within Renault India. Nassif, the India MD, was empowered to speed up decision making.

"We realised early that to achieve the 3F objectives we needed the modifications to be done locally with a local team. That helped. We executed the changes in 12 months, within budget and ended up with a product people love," says Nassif. "Such a success would not have been possible if the modifications were done in Paris."

No doubt, there were challenges. Paris refused to accept the set time frame of 12 months and termed the budget proposed too low. Some modifications were discouraged as it involved a lot of engineering (rear air-conditioning) or structural changes to the car (inclined rear seats). "We had to convince them that these were needed to offer the best product to the consumers here," says Nassif.

When the car finally hit the market, Nassif was proved right. Today, more than 60,000 Dusters are running on Indian roads. "The Duster succeeded because it is the right product at the right time in the right segment at the right price," says Sumit Sawhney, Executive Director for Sales and Marketing at Renault India.

Abdul Majeed, Partner and Leader for automotive practice at consulting firm PricewaterhouseCoopers India, says global car majors are realising that customer voice in product development is critical. "Renault has tasted success because it took the pains to understand the Indian customer," he says.

Of late, Sawhney's job has become a trifle difficult. SUV sales – like auto sales in general – have slumped in recent months. Enhanced competition from rivals such as Ford's compact SUV EcoSport is chipping away the Duster's market share (it dropped to 20 per cent in July). Nassif, for his part, has a different challenge now. The Duster has resurrected Renault's brand image in the country, and Nassif realises the company needs to capitalise on the car's success. "The Renault brand cannot sustain in India only on the Duster. We will need more products," he says. Renault India needs many more Duster-like successes. ◆

What do you think was key to the Renault Duster's phenomenal success in India? Post your comments at businesstoday.in/casestudy-duster. The best response will be published in the magazine and will also win a copy of a Harvard Business School Press pocket mentor. Previous case studies are at www.businesstoday.in/casestudy.

BEST OF THE LOT

BT **gets many responses to its case studies. Below is the best one on Havells's acquisition of Sylvania (August 18, 2013).**

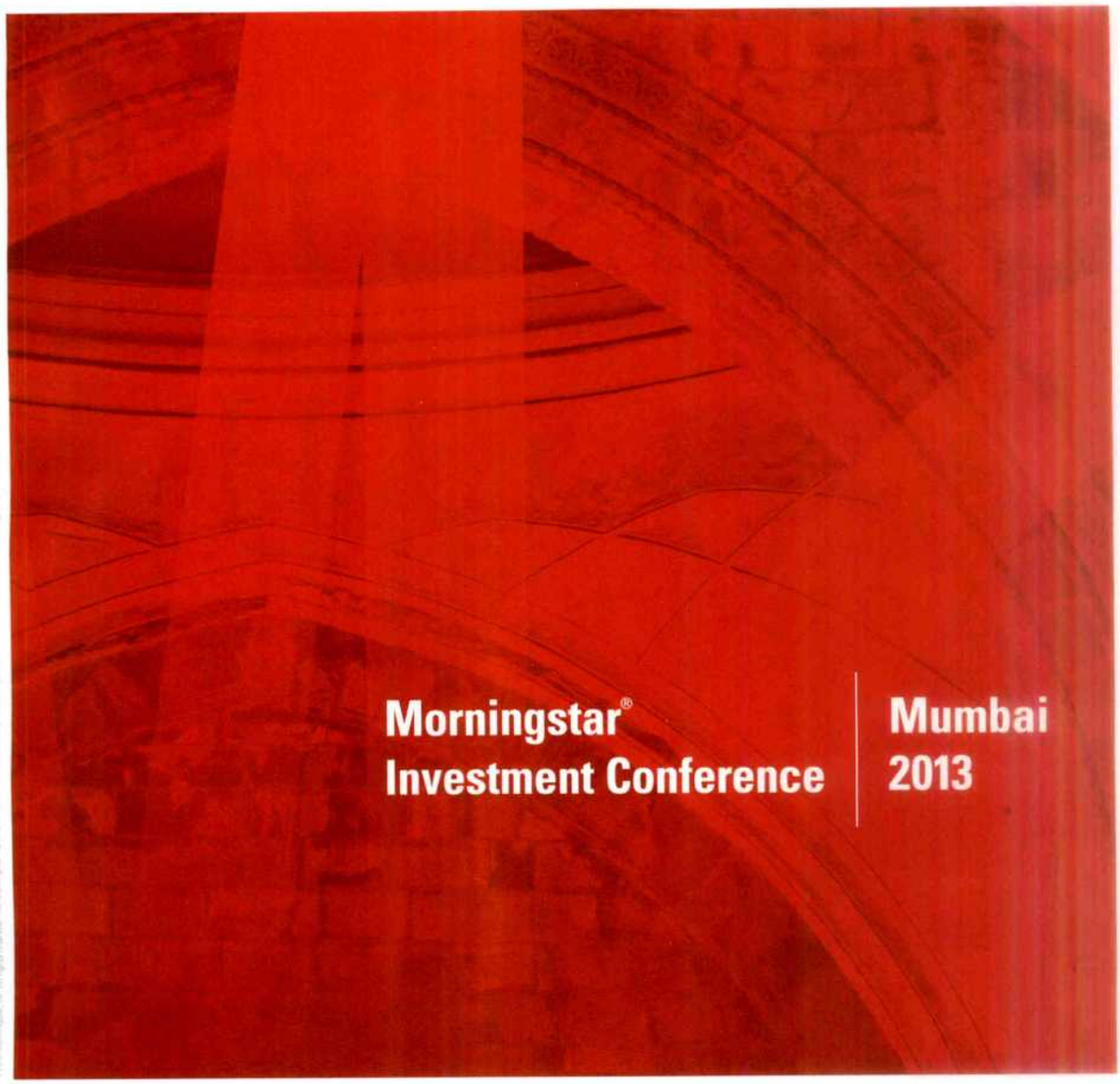
Tapas Rastogi, Student, Indian Institute of Management, Kozhikode

DARKNESS TO LIGHT

Q

Havells was not the only company in 2007 which was feeling the heat after eating a fish bigger than itself. Tata Steel was in a similar predicament after its Corus deal. There are times when decisions go wrong because of external factors. Not much can be done in such situations. But aggregation, adaptation and arbitrage - the 3As explained by Pankaj Ghemawat in his book Redefining Global Strategies *- can help. Havells chose the latter two. The acquisition of Sylvania was a strategic move - diversifying Havells's portfolio, harnessing new technologies, and leveraging Sylvania's brand presence and market reach in 50 countries. A series of prior joint ventures and acquisitions in Europe had nurtured the Havells management over time in dealing with cross-cultural teams. Leadership was the key factor behind this successful turnaround. The strategy was to reduce the employee strength, procure raw materials from countries where it was cheaply available, and relocate back-office jobs to low-cost countries like India and China. Though many western companies followed a similar strategy in 2008/09, Havells showed how it can be done smoothly and efficiently. The company did not face any staff strike after the layoffs. It optimised its supply chain operations. The company also decentralised decision making, which gave its foreign subsidiaries a sense of responsibility. This was supplemented with the audacious step of raising Sylvania product prices that led to increased revenue and prevented a dilution of the brand.*

Tapas Rastogi wins a Harvard Business School Press pocket mentor



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KEEP EYES OPEN
IF A LOAN AMOUNT IS WRONGLY RECORDED, TAKE IT UP WITH THE LENDER. THUS IT IS IMPORTANT TO LOOK AT ONE'S CREDIT REPORT AT LEAST ONCE A YEAR

SANTOSH

Keeping the Slate Clean

Errors in your credit report can hamper your chances of getting loans. Here's how you can get them corrected. By **DIPAK MONDAL**

How would you feel if your loan application was rejected for not having paid off a debt you never incurred? Worse, what if such a loan was mentioned in your credit report as well?

But how could a loan you had not taken find its way into your credit report? Whose fault is it? More important, what steps can you take to get such wrong entries removed from the report? First, let's see the mistakes that can creep into credit reports.

The errors can be as mundane as wrong name, wrong address, wrong identity number (PAN, Aadhar), even wrong gender or date of birth. These are, however, not significant as they do not necessarily affect your credit record. The serious errors are inclusion of someone else's loan in your report, or an amount overdue that is much higher than the loan taken. Then there can be mistakes in date of payment, account status (paid, defaulted, settled, disputed), date of loan closure, etc.

These mistakes, if not corrected, can impact your credit score, resulting in rejection of loan applications or blacklisting by banks. It is, therefore, important to keep your slate (read credit report) clean. "In the current process, credit bureaus do not verify with customers the data received from banks. It is, therefore, advisable to access your credit report regularly and see if the data there are correct," says Sanjay Patel, MD and CEO, Equifax, a credit bureau.

Credit bureaus receive customers' details from lenders. They draft credit reports by collating these details, which they cannot change. They can

only do 'logical' checks and reject some data if three to four mandatory fields such as PAN, address, etc, are not filled.

Errors can happen at both data submission and aggregation stages. At the submission stage, it is the lender who may be at fault. Details such as names and addresses, which are manually entered, may be wrong due to typographical errors at the lender's end. Also, data about credit behaviour, latest status of settlement, latest balance, etc, may not be accurate or according to the customer's understanding of his current status.

"Data submitted by banks are a result of multiple entries by many people. Despite adequate controls, a data entry mistake could result in an error, though these are few and far between," says A. Meenakshi, head, operations, ING Vysya Bank.

While sometimes there are genuine errors, there could also be discrepancies in the report because of the time lag between data collection and submission or data submission and updating of account status. "The data come to bureaus generally with a one-month lag and, hence, the status of the account may not be up to date. This may appear as an error to the customer," says Patel of Equifax.

There are other data processing time lags too. For example, banks outsource loan collection to third-party agencies, which may collect the cheque but not inform the bank on time. The processing of cheques itself takes time (outstation ones may take 48 to 72 hours to be cleared). Then there are delays at the call centre end. You may have called up the bank to convert a credit card payment into EMIs. The process may take time and the bank, in the meantime, may report the amount as an overdue.

At the aggregation stage, bureaus use computer algorithms to put the data in sequence. However, due to various commonalties (in name, address, date of birth, etc), complex or incomplete addresses or insufficient information, it is possible that a loan is assigned to someone else's name.

"There is recourse, but half the time people struggle because they had not seen their credit report earlier. It is at the time of loan application, when the lender informs them about the default entry, that they realise their mistake. However, a resolution may not be possible in such cases," says Mohan Jayaram, MD, Experian. He says everyone should look at his or her credit report once a year so that errors, if any, can be corrected.

If one finds that a loan has been incorrectly (wrong amount overdue, wrong date of closure, etc) reported, one can take up the issue with the lender. The lender will verify the details and then submit the corrected data to the bureau, which will then change the credit report accordingly.

AT A NOMINAL COST

CREDIT BUREAU	CHARGE (₹)	WHAT YOU GET
Cibil TransUnion	470	Credit score and credit information report
Experian	138	Credit information report
Equifax	400	Credit information report and risk score

WHAT CAN GO WRONG IN CREDIT REPORTS

- ☑ Name
- ☑ Date of Birth
- ☑ Gender
- ☑ PAN No
- ☑ Passport Number
- ☑ Voter ID Number
- ☑ Telephone Numbers
- ☑ Address
- ☑ State
- ☑ PIN
- ☑ Account/Loan Type
- ☑ Account Status
- ☑ Ownership Type
- ☑ Date of Last Payment
- ☑ Date Opened
- ☑ Date Closed
- ☑ Sanctioned Amount
- ☑ Current Balance
- ☑ Amount Overdue
- ☑ Asset Classification

If the error is due to data submitted by the bank/lender, the bureau will take up the issue with the lender. According to the law, banks have to come up with formal resolution of a dispute within 45 days of the issue being raised.

Not all disputes arising out of such errors are easily resolved. Usually, errors at the data aggregation (bureau) level such as wrong details and loan account can be corrected easily. However, disputes related to wrong reporting of a loan (by banks) such as wrong overdue amount, status of the loan account, date of closure and date of payment can take time to get resolved.

Ankur Singla, founder and CEO, Akosha, a consumer grievance redressal company, says he generally receives complaints related to score/credit history not having been updated in bureau records despite clearance of the outstanding amount and those related to updating of credit scores in the wrong account. "These cases are at times difficult to resolve because of lack of documents that can be shown as proof. Besides, most banks have outsourced collection to third parties, due to which it becomes difficult to connect with the right person and follow up with him on a regular basis," says Singla.

If you are not satisfied with the resolution of your complaint, you can approach the bank or the bureau again, specifying what you want. If you are still not satisfied, you can knock at the banking ombudsman's door or move a consumer court. ◆

Courtesy: *Money Today*

As a responsible corporate citizen, Toyota Kirloskar Motor is constantly working towards the development of people, communities and the green earth at large.

Responsible business award given by World CSR congress. ***Mr. K Srikanth*** *Senior Vice President Toyota Kirloskar Motor receiving award*

Toyota Kirloskar Motor (TKM), CSR policy is aligned with Toyota's Global Vision for 2020 'Seeking Harmony between People, Society and the Global Environment, and Sustainable Development of Society through Manufacturing'.

TKM takes initiative to contribute to harmonious and sustainable development of society and the earth, based on their Guiding Principles.

Toyota Kirloskar Motor complies with local, national laws and regulations as well as the spirit thereof and conducts their business operations with honesty and integrity.

TKM first initiated their commitment towards environment at HOME – plant at Bidadi, Karnataka., Toyota is seeking the role of nature in their plant that is in harmony with their natural surroundings by promoting sustainable plant activities and reducing energy consumption through the introduction of production technology with a lower level of CO2 emissions, reducing environmental impact through measures such as introducing a wastewater recycling system, using water-borne paints, and achieving zero landfill waste.

TKM's corporate approach is their commitment to invest and allocate resources for development and to improve the quality of life for the communities in which they live and work. TKM contributes towards vibrant world through a socially responsible and sustainable approach that includes sharing knowledge and skills through the philosophy of giving back to the community.

TKM extended gradually their CSR programme focusing on overall development of the neighboring villages and communities emphasizing on Education, Health & Hygiene, Road Safety, Environment and Skill Development.
In this regard TKM conducted an assessment study in the local community to determine the basic amenities required and expectations from villages in and around the plant in 2009-10. During the survey, villagers expressed concern for sanitation requirement. To address these issues TKM initiated Sanitation Project in 2010-11 in 6 villages of Machanayakanahalli Gram Panchayath. Under this project 310 individual toilet units have been constructed. With this initiative, Machanayakanahalli Gram Panchayath bagged the Nirmal Gram Puraskar award.

Further, TKM continues its efforts in the adjoining villages and has constructed 435 individual toilet units till date for the community. The key to this programme has been a combination of the community learning about the key issues, and deciding to take responsibility to achieve 100% sanitation.

Other focus area for the local community development is Health & Hygiene; the company has been actively organizing health camps in villages as a part of their commitment towards a healthy India. In this regard general and specialized health camps for school children and general public are organized in villages focusing on eye, skin, general health check up and orthopaedic. Three to four camps are held every year in collaboration with leading hospitals. Every camp is attended by an average of 350 people. Over 3,000 students and approximately 1,500 villagers have benefited from these specialized health camps till date.

Subsequently, TKM also observed during the health camps that many people are affected by skin diseases, arthritis, cholera, dysentery, diarrhea, etc due to water contamination caused by the Byramangala reservoir. The entire region is highly polluted due to the release of industrial and sewage pollutants from Bangalore into the Vrishabhavathi River which is finally collected in the Byramangala reservoir.

Mr. Srikanth, Senior Vice President, (External affairs, CSR, Corp.Governance) says that there is a perception among the local community that industries in Bidadi are polluting the Byramangala Lake, which is far from truth. TKM would like to work with the community to provide safe and clean drinking water. 'Clean and Safe Water is a basic necessity of life'.
TKM decided to address the concerns of the local community and established a large scale sustainable community based water purification unit at Byramangala, Ittamadu in partnership with Gram Panchayat. The contaminated water undergoes seven step filtration processes with reverse osmosis technology and UV rays to deliver IS10500 standard potable water to over 16000 people covering 30 villages.

It has been widely acknowledged that the socio-economic conditions in rural villages have constrained the process of primary education. A large proportion of children from the economically

poor and socially disadvantaged groups are either denied access or were failing to complete even basic education.

Toyota Kirloskar Motor is deeply committed to improve the quality of school education, especially for the disadvantaged. They have reconstructed the school at Medanahalli, Ashrama Patashala - Byramangala as the schools were in debilitated condition. Therefore, Books and Bags are also distributed to the needy children and every year more than 35,000 note books and 1000 bags, shoes, socks and geometry boxes are distributed to the children in Government schools.

As a part of TKM's ongoing support to education projects, TKM has established Toyota Technical Training Institute for students from Karnataka from economically poor backgrounds, who have the talent but cannot opt for higher education. It is a fully residential school providing education free-of-cost to the students. During the course, the students are given stipend to support their family. The deserving students receive fellowships in addition to the stipend and also undergo training in Japan.

The learning programme at TTTI trains the students to be skilled technicians in auto manufacturing and plant administration thereby increasing their employment prospects. The academic course consists of a comprehensive, full time training in the following trades - Automobile Assembly, Automobile Paint, Automobile Weld and Mechatronics (a combination of mechanical and industrial electronics).

On successful completion of the course, TKM encourages potential graduates of Toyota Technical Training Institute to join the company as Team Members.

Mr. Srikanth, Senior Vice President, opines that "Education is imperative to build the foundation of a society and no child should be deprived of it". TTTI was established for intelligent and financially poor students who could not afford higher education.

As a part of CSR activities at national level , considering the growing traffic in Indian cities, TKM took up awareness building program on traffic safety among the school children through Toyota Safety Education Programme. The Toyota

Water Purification Unit

Safety Education Programme (TSEP) is an interactive learning programme on traffic safety specially designed for the children in the age group of 10 to 14 years.

TSEP was launched as a pilot project in 2007 in Bangalore followed by its launch, in 2008, across all Indian metropolitan cities. More than 6, 50,000 children have been educated till date in Delhi, Mumbai, Chennai, Hyderabad, Kolkata, Bangalore, Mangalore, Hubli and Mysore.

Another flagship program of Toyota at national level is Toyota Technical Education Program (T-TEP). Under this program TKM has partnered with industrial and technical training institutes across the nation to provide skill development in the area of Automobile engineering. Over 3000 students from these institutes have benefited from this program so far, with over 600 students undergoing training on the latest automotive technology and service techniques every year. The curriculum of this program includes on-the-job training at Toyota dealerships.

T-TEP aims to correct the imbalance in the current ITI students by partnering with local training institutes and industry bodies. These skilful technicians then have the option to join any of the car dealers across the country.

Toyota Kirloskar Motor spends on an average 4 to 5% of its profit annually towards CSR activities, even though recent Company Bill stipulates mandatory spending of only up to 2%.

Toyota Technical Training Institute

Accurate Group of Institutions

ENRICHING GLOBAL CORPORATE EXPERIENCE FOR ACADEMIC FINESSE

Poonam Sharma
GROUP DIRECTOR

The faculty at Accurate emphasizes on quality education with focus on case teaching method, which communicates the knowledge and values and impart the skills necessary for individuals to lead responsible, productive and personally satisfying life.

The lush green campus of Accurate Institute of Management and Technology, combines exquisite natural beauty & high tech environs of modern times, to set an ideal seat for higher academic pursuits. The Institute is imbibed with modern infrastructure with Wi-Fi facility and technological support to facilitate teaching, learning and personality development. Accurate inculcates its students to have a global perspective, while at the same time be keenly perceptive about local conditions.

Needless to say, today's management practitioners must be thorough with the latest technology and be sensitive to the importance of ethical and human values. The Institute has been reckoned among the premier business schools of the country by various stakeholders. The faculty at Accurate emphasizes on quality education with focus on case teaching method, which communicates the knowledge and values and impart the skills necessary for individuals to lead responsible, productive and personally satisfying life. Established in the year 2006, Accurate has grown immensely and today it stands tall as a full-fledged Institute Accurate offers a two years (full time) post graduate diploma course in Management is duly approved by AICTE, Ministry of HRD and Government of India. The course consists of six terms. The programme has been developed with innovative teaching methodology ensuring thorough grooming of students in fundamental concepts in management and concurrently developing in them business and technology skills for meeting the challenges of the corporate world. The PGDM students are required to indicate the choice of two area(s) of specialization to be opted in the second year i.e. at the time of commencement of the fourth trimester in second year. Twelve elective courses i.e. six each from the two opted areas of specialization are to be completed spread over three trimesters in the second year for dual specialization.

The Group Director Poonam Sharma is an exemplary lady with a commendable track record of laurels; she speaks on behalf of the institution "Accurate is committed to provide quality education to become 100% effective both personally and professionally. We are aware about the emerging challenges and constantly update course content & delivery mechanism to meet them. Our Academic and Training programmes are anchored around the philosophy of inculcating an analytical orientation to understand and analyze complex business situations while at the same times possess result based administrative point of view."

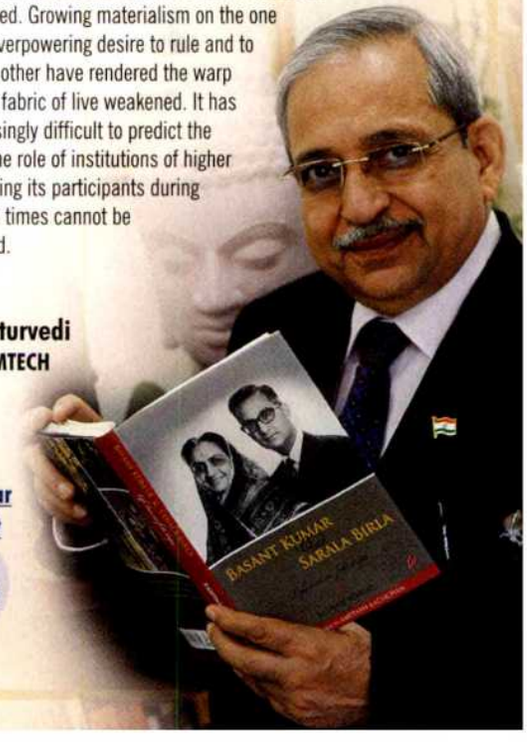
BIMTECH - THE BEACON LIGHT IN TRYING TIMES

The people world over live in highly challenging times today. Change has long been recognized as the 'only constant', only now the change has become more complex. It is now very 'change at the speed of light'. What was an expected norm yesterday is almost certain not be so today. This has brought along higher degree of uncertainty around everything. Resultantly Future has suddenly become all the more unpredictable. Much as we desire to predict the future and provide for it we seem to be increasingly failing to do so of late. Future has increasingly become a complex puzzle in all walks of life. Everything seems to be undergoing rapid change. Mankind today is completely perplexed. Perplexed of his role and his path into a safe future not only for himself but for his future generations.

Business Education has not remained untouched by the rapid change. It is on a threshold of a paradigm shift. Developing ethical business leaders has never before been as acute a 'need of the hour' as it is today. Yet the bottom lines of some of the biggest business houses the world over, have never ever faced the kind of pressures they are under, these days. Business education shoulders the responsibility of providing mankind the type of leaders who will be able to guide the generations to come into ethical yet sustainable ways of doing business in the future.

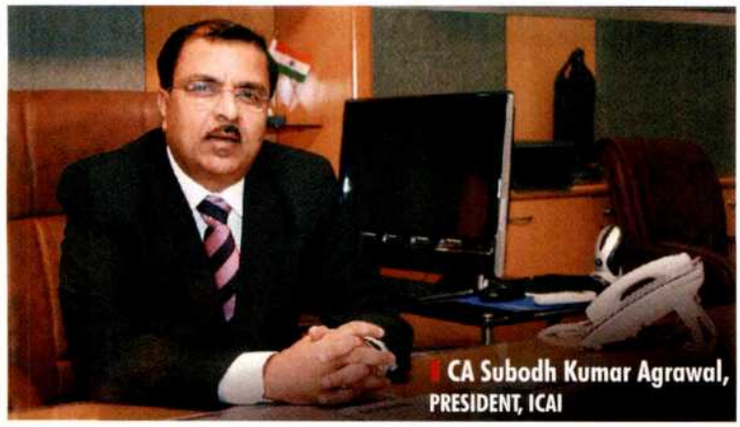
Yet again the youth today stands at a cross road. While one road offers him quick success the other beckons him to a life which is certainly less rosy but eventually fulfilling. While the road to success is crowded with men of all colors and hues the other one seems deserted and less travelled. Growing materialism on the one hand and the overpowering desire to rule and to conquer on the other have rendered the warp and weft of the fabric of live weakened. It has become increasingly difficult to predict the future of life. The role of institutions of higher learning in guiding its participants during these uncertain times cannot be overemphasized.

Dr. H. Chaturvedi
DIRECTOR, BIMTECH



Any contemporary education in general and professional education in particular has, in addition to skilling its pupils, the responsibility to show them the right path, daylight in the growing darkness. BIMTECH stands committed to its responsibilities and endeavors tirelessly to meet the expectations of students who choose to travel with us on the road to a successful and fulfilling life!

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)



CA Subodh Kumar Agrawal, PRESIDENT, ICAI

INCONVERSATION WITH

• With education sector gaining importance in National Planning, in your opinion, what role will the CA academic course play in nation's capacity building?

- The Indian Accountancy Profession is the valued trustee of World Class Financial competencies, Good Governance and Competitiveness. The CA Course is an integrated course exclusively designed to cater to the requirements of the economy. It enables students to render their valuable services in every walk of economic life - Judiciary, Government, Corporate, NGOs etc. ICAI's academic course helps the students to widen and enrich their knowledge bank in the realm of Taxation, Corporate Finance, Project Evaluation, Business & Corporate Law, Auditing, and Accounting Practice thereby ICAI's competent and skilled professionals directly or indirectly render their esteemed services in the nation's capacity building.

• How promising is the employment and pay package for students after completing CA course?

- The Chartered Accountancy is a highly prestigious course and a unique professional qualification which provides ample opportunities to students coming from any stream. The Chartered Accountants today are not only the backbone of Indian financial system but are also an 'institution of public trust' besides being 'conscience keepers of economy'. From traditional bean counters, the Chartered Accountants have now metamorphosed into a multi-dimensional professionals, offering complete business solutions as 'information and decision specialists' and are sought after in the industry and corporate.

The Institute organizes Campus Placement Programmes for the benefit of newly qualified chartered accountants twice every year. During the recently concluded Campus placement program organized by ICAI, the average starting salary of around R 7.36 lakh per annum was offered. An annual package of R 20 lakh was offered to fresh Chartered Accountants for domestic posting and R 24.64 lakh for International posting.

JAIPURIA INSTITUTE OF MANAGEMENT
WHERE INNOVATION IS A WAY OF LIFE

Jaipuria Institute of Management believes that one of the major reasons behind their success is that right from the beginning, everyone within the folds of the Jaipuria campuses believed they worked for a B-school second to none. All campuses of Jaipuria Institute of Management are among the top 5 in their respective regions. Riding on its hugely successful legacy of innovations, the management of Jaipuria is quite confident of producing managers who are well ahead of their times.

At the turn of the millennium, management institutes were sprouting in every nook and corner of the country. But thirteen years down the line, we notice that very few actually lived beyond a decade. One of those who not only survived but actually thrived – and is today recognized as a formidable brand -is the Jaipuria Institute of Management. During its fledgling years, the management of Jaipuria Lucknow observed, studied and understood the dynamics of the Knowledge Revolution, and embedded this deeply into its DNA. So, by the time the second campus came up in Noida in 2004, innovations had become second nature to Jaipuria Institute of Management.

The atmosphere at all the Jaipuria campuses is quite informal, with teachers acting more as facilitators and students being encouraged to think things through. With knowledge easily available through the internet, Jaipuria's faculty focus more on the emotional aspects of students – acting as friends and guides and always keeping the learning process high on the 'fun quotient'. Therefore, most of the teaching in Jaipuria campuses happens beyond the four walls of the classroom, in lush green lawns or on industry sites.

"Innovations in Jaipuria Institute of Management often are a natural outcome of the needs of the time," says Dr. Rajiv Thakur, Director, Jaipuria Institute of Management, Noida. "Technology and this generation's behavioral choices have a major impact on how education is imparted on Jaipuria campuses. This has led to a paperless mode of education.

Dr M Ashraf Rizvi
Director (Former Prof. IIM Indore)

Jaipuria Institute of Management Studies, Ghaziabad

Taking management education to grass roots

Jaipurias are making efforts to take management education to grass roots by making it affordable by common students. With excellence in education sector for 109 years, Jaipurias are trying to take management education to the masses in the different parts of the country including Uttar Pradesh, Bihar, West Bengal, Jharkhand, Madhya Pradesh, Chattisgarh, Rajasthan, Hariyana, Punjab, Uttrakhand etc.

Jaipurias have announced ***Padma Bhushan M R Jaipuria Scholarships*** **2014** worth Rs. **1.5 crores with** maximum of **Rs. 5, 40, 000 (Full Fee waiver)** for brilliant students who are not able to pursue management education due to lack of financial support for doing Post-Graduate Diploma in Management (Approved by AICTE, Ministry of HRD, Government of India) at **Jaipuria Institute of Management Studies Ghaziabad**, the flagship Institute of Jaipurias. The initiative will help promote management education among masses.

Jaipuria Institute of Management Studies, is an autonomous Institute approved by AICTE, Government of India was established in 2008 by the noted philanthropist industrialist, Dr. Rajaram Jaipuria. It is one of the leading business schools in Northern India and is the flagship Institute of the Jaipuria Group of Educational Institutions. With a sprawling campus on Delhi- Meerut link road within NCR, JIMS is fast growing as an Integrated Business School with a mandate to contribute in building knowledge capital of the country by providing world class, value based and proactive professionals.

The institute is running Post Graduate Diploma in Management (PGDM), a two year full time programme approved by AICTE. The PGDM course of JIMS has been designed in such a way that the student gets a right blend of strong theoretical foundations, analytical skills and their applications to the functional areas of management.

The Institute is now moving from traditional approach of classroom teaching to Participative Learning through Case Method of study and experiential learning model by providing students opportunities to showcase their strengths through professional interactions, peer work, 360-degree feedback and assessment, group activities, video analysis, project assignments, group coaching, case discussions, role plays, business games, and simulations. All these efforts are leading towards "Excellence in Education and Research".

RAKSHPAL BAHADUR MANAGEMENT INSTITUTE

YOUR FUTURE- OUR COMMITMENT

The RBMI Group, a leading group of educational institutes in North India, has been providing education for the past 17 years in the field of Engineering, Management, Pharmacy, and Information Technology & Teachers Training. It has two campuses one in **National Capital Region (Greater Noida)** & the other in **Bareilly.** All its programs are duly approved by ACITE, NCTE & affiliated to leading government universities GBTU, MTU, CCS and MJPRU. The institute has time and again been recognized for excellence in education. The crowning glory was when FICCI (Federation of Industry Chamber of Commerce of India), on behalf of CACCI, awarded its Chairperson for excellence in education. RBMI is ranked among the Best in the region for its Quality, Intellectual Capital, Industry - Academia interface, Infrastructure, Innovation and Placement.

RBMI group has 2000+ students, 200+ faculty, and 20+ professionals in its **Corporate Development Cell** for placement & trainings. This cell helps in connecting students with Corporate Executives for real life business simulation. It also conducts personality development, training and final placement of students. The institute has excellent linkages with the industry and engages through National HR summit, industry visits, & lectures from eminent professionals from Industry.

The institute has been organizing **North India's largest placement fair** for last 8 years where every year over 70+ leading India & Multi-national companies participate and over 1000+ students got placed with excellent packages. It has 6500+ alumni's working in leading Indian and multinational companies in India and abroad. The institute takes great pride in the success of its Alma – Mater. It also uses its extensive network of alumni who are well placed in leading companies across the world to place the students. It also has a tie-up with monster.com (as leading on-line placement enablers) for placement assistance.

MANAV RACHNA INTERNATIONAL UNIVERSITY

A CENTER FOR EXCELLENCE

Faculty of Management Studies, Manav Rachna International University stands tall as a center for total quality education with the following courses Management of Business Administeration, Masters in Applied Psychology, Bachelors in Hotel Management.

FMS focuses on 360 degree development of the student by focusing on five fundamental orientations:

– Self Enhancement and Inculcation of Ethics and Values
– Maximizing Potential and Leadership Skills
– Conscious Participation in Larger Systems through Corporate Social Responsibility
– Empowerment through Participatory Power
– Transparent and Good Governance based on Ethics

In order to achieve the goal of holistic development of the student we focus on experiential learning to hone and develop all intelligences in a student. There is a four-tiering mentoring system that is practiced which is the Core Team i.e. our Regular Faculty. This core team is ably assisted by Regular Visiting Faculty and Distinguished Guest Faculty to train and interact with our students on various facets of life.

Specialized Training by ventures like I Achieve, Oyster Learning, Receptive Acumen, etc are conducted regularly. Every activity from the classroom, to events etc is designed to inculcate in the student, skills that s/he would need to be a good world citizen. Every activity ends with a project and the students are graded for each activity they participate in.

The Ranking of the institute

- Ranked one of the best Business School in terms of Faculty, International Exposure & Infrastructure by Mail Today Survey.
- Ranked 'A' category by Indian Management AIMA journal.
- Ranked amongst top 50 B-schools by India's best B-School survey 2012 by Career 360.
- Featured by CNN-IBN in "Shining B-Schools of India" –Jan, 2013

The USP of FMS can be summaried as:

- Distinguished Faculty with Innovative Pedagogy based on experiential learning
- Strong research base with projects from UGC and ICSSR
- Application Based Learning with Field projects, Human Lab and Finance lab
- Strong industry and international tie ups
- Mandatory CSR and community projects with Haryana Police/NGO's
- Excellent placement record across industries
- Intensive training in employability skills, life skills, communication skills
- Outbound training and team activities, sports and events
- The Best return on Investment (ROI) with maximum learning and minimum cost

All this happens in a student friendly state of the art 47 acre campus with excellent infrastructure (rated amongst top 5 in Delhi/NCR).

INSTITUTE OF MANAGEMENT STUDIES (IMS) GHAZIABAD

CREATING AND NURTURING FUTURE BUSINESS LEADERS

What started as a nascent dream in the year 1990 has today become a cradle of creating and nurturing future business leaders capable of adopting and adapting to CHANGE. IMS Ghaziabad today has attained a unique distinction & decidedly reputable place amongst the best professional education institutions in India a strong three-prolonged focus on development of Intellectual capital, corporate interface & holistic development of our students. Here the students are empowered with knowledge and professional skills while upholding the values of integrity, tolerance and mutual respect.

We feel highly delighted to inform that IMS Ghaziabad has been accreditated by International Accreditation Organisation (IAO), USA, rated in A-1 category by AIMA – published in Indian Management Journal, May 2013; and it has also been ranked 7th B-School in Northern India by CSR-GHRDC (Nov 2012 issue). IMS Ghaziabad has also been accorded with Dialogue India Academia Award for the Best B-School in U.P. (Dialogue India Bronze Cup) and has been rated as Premier Institute by Education Post, 2013.

The PGDM (Post Graduated Diploma in Management) is the flagship programme of the Institute, which is highly rigorous, comprehensive and practice-oriented by design. Students are expected to develop as global citizens through participation not only in curricular activities but also a mix of co-curricular and extra-curricular activities including socially oriented pursuits. We have co-existence of collaborative and competitive modes, striving for individual excellence and yet reinforcing the 'team culture' amongst individuals. A true example is our Alumni, who are our ambassadors to the corporate world, and we are glad to receive constructive feedback about them that they have significantly contributed to several areas of work. We are sure that our journey of excellence will continue with faster pace in approaching years with our reinstated commitment to disseminate quality education in the fields of Management and Information Technology.

Dr. Urvashi Makkar, Director

LAST BUT NOT LEAST

RIGHT CLICK 176 BOOKS 178 PEOPLEBUSINESS 184

Comfort Zone

The recliner market in India is tiny compared to the West, but it is growing. All you ever wanted to know about recliners. By NIDHI SINGAL

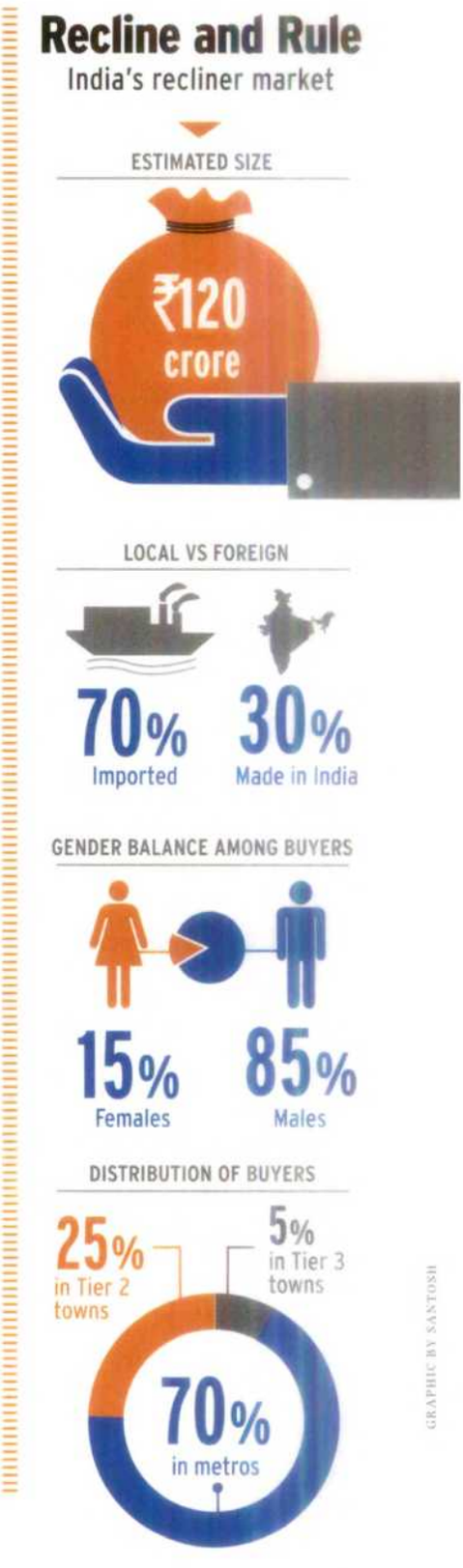
It's almost everybody's idea of a perfect end to a stressful day: sinking into a comfy chair in front of a TV with a bag of chips in your hand. And if that chair is a warm and cozy recliner, it's even easier to put all your work worries away. As Adish Jain, CEO of a multinational in Delhi, puts it: "Life in a bustling metro keeps me on my toes and my recliner is where I take my shoes off. It's like soul food that you can never get enough of."

Jain is not the only diehard recliner fan in India. Although they have always been a part of Western homes for decades, recliners are now also found in many Indian family rooms. Actor Boman Irani, for example, heads for his recliner after a long shooting schedule – and doesn't budge from there for as long as he can. He prefers to even have his dinner in his customised brown suede recliner instead of dragging himself to the dining table. It is also the spot from where he loves watching movies and taking a nap on weekends.

SOUNAVA RAY SARKAR

Quite simply, a recliner is an upholstered armchair that tilts backwards to put the body in a relaxing position. It also has a footrest that rises when the chair is reclined. It was invented in the United States in the early 1920s, but the now iconic La-Z-Boy first made the chair a household name overseas. According to US magazine *Furniture Today*, the recliner market in the US grew to $3.9 billion (around ₹24,000 crore) in 2012 from $3.7 billion (around ₹23,000 crore) in the previous year. The recliner market in India is estimated much lower at around ₹120 crore – but it's a rapidly growing market. "With the Indian urban space offering almost none or very little outdoor entertainment, walking parks, play grounds etc, people are getting accustomed to sitting in front of their TV screens, when they get back home. Such a trend will see upward growth for the recliner market in India," says Sunil Suresh, who markets international recliner brands such as La-Z-Boy and Norway's Stordal in India.

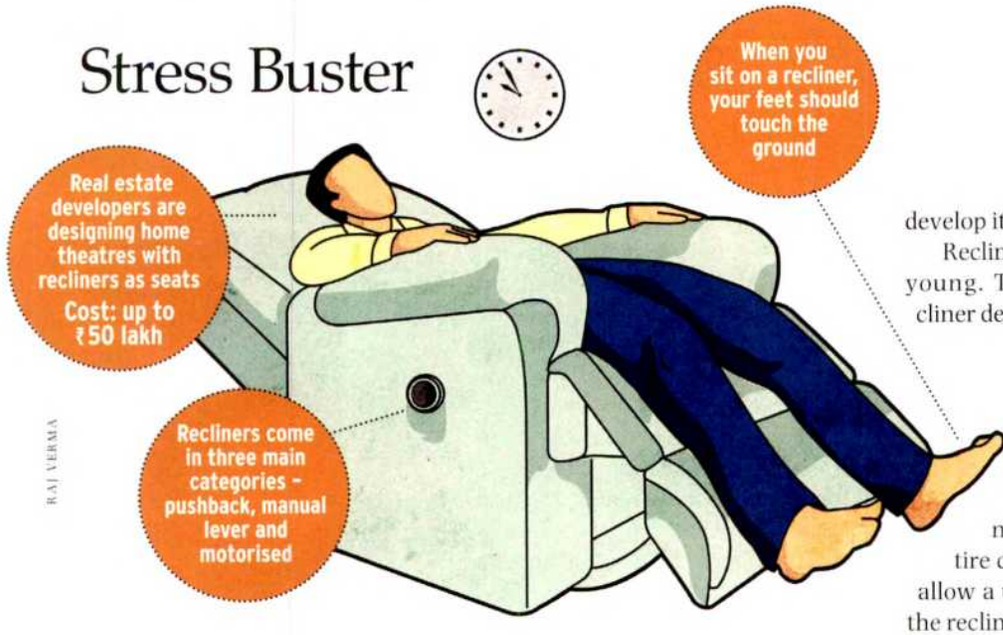
The market is packed with recliners for everybody from connoisseurs to commoners. While a basic PVC-upholstered single seat recliner comes for just ₹18,000 and a simple La-Z-Boy costs around ₹29,000, you could fork out up to ₹10 lakh



GRAPHIC BY SANTOSH

Source: Industry Estimates

Stress Buster



RAJ VERMA

for chairs with bells and whistles. One of the more expensive options is the ₹3-lakh Royal Design chair from the country's largest recliner manufacturer, Recliners India. Inspired by Victorian designs, the royal blue suede-upholstered recliner is fitted with a sensor that automatically switches off when not in use. It also has a silent subwoofer, dubbed "The Buttkicker", which makes you feel the thump with increased power sound. Massage recliners are becoming popular, but are not as big in India as they are globally.

If you are looking for something more stylish, you can put your feet up with the Elvis model from Buddy's, an Indian brand at Stanley Lifestyle, which markets La-Z-Boy in India. This unique motorised recliner can power up to 400 reclines from only four hours of charging. Equipped with a noiseless German motor, it offers individual movements for the back and footrest, unlike other recliners. The red leather Elvis doesn't come cheap: you have to shell out around ₹2.5 lakh for the comfort of this chair.

Traditionally, women have never been big fans of recliners. They prefer sofas for the simple reason that you can share a sofa but you can't share a recliner. Not any more. The new generation of recliners offers two-seaters and multiple-seat options that allow families to watch films together. "The average sitting-down time increases three times upon installing a recliner at home," says Neeraj Bansal, co-founder and CEO of Recliners India.

Recliners India has a treat in store for movie buffs and serious gamers: the Home Theatre Recliner with D-Box technology, which syncs a movie's actions and sound to the recliner's movement. The extravagant ₹9-lakh chair brings the virtual experience closer to reality by making the user experience every jolt, nudge or bump in the recliner. There are about 1,000 Hollywood titles that can be synced to this box, which is always connected to the Internet.

Started in 1996, Recliners India specialises in cinema seating and has introduced a new class of recliners for Gold Class theatres. The company controls more than 95 per cent of the commercial recliner market and its clients include top theatres such as Cinemax, PVR and Big Cinemas. Recliners India has research and development facilities with state-of-the-art technology to develop its recliners.

Recliners are not for just for the young. There is a motorised recliner designed for the elderly that can bring a user from reclining to walking position. The Auto Lift Chair for seniors is equipped with "easy-lift recline" technology that moves the entire chair at a slower speed, to allow a user to easily come out of the recliner and walk. The PVC version at Recliners India is priced at ₹75,000. "Recliners are advisable for the elderly as they are not very active. As they spend the day sitting and watching television, they tend to collect fluid in the legs. Recliners lift the legs and make the blood flow better," says Dr Naresh Trehan, who has installed recliners for patients at Gurgaon's Medanta hospital and, before that, at Delhi's Escorts Hospital.

Doctors say recliners also have health benefits. "Recliners are definitely a good form of relaxation because they fit the curves of the body and our muscles have to work less to support those curves," says Dr Raman Kant Aggarwal, Shoulder Specialist and Joint Replacement Surgeon, Fortis Memorial Research Institute, Gurgaon. "Recliners, at times, serve as the only option in certain disorders like sleep apnoea and virtually any shoulder pain."

But doctors warn that recliners cannot make up for lack of exercise. "If we are not exercising, recliners cannot help us improve our health," says Dr Aggarwal. "We need to strengthen our muscles by walking, yoga etc while resting recliners can provide comfort to our muscles and bones." ◆

Send your comments to editor.bt@intoday.com

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NANDAGOPAL RAJAN

Tech Savvy Toddlers

There are a host of apps even for very young children, but their use should be monit

My son is just over two and already knows all the alphabets, along with at least two associated words and their phonic sounds. He can also count from one to 10 and recognise the figures. The same goes for most colours and shapes. While I am proud of his achievement, I also know that there are many toddlers who know much more than him. My son, however, is self-taught.

Like most children of his generation, my son was exposed to smartphones and tablets in his crib. Earlier this year I downloaded an app for him. Starfall ABC is simple, with alphabets – both capital and small – a handful of words and their phonic sounds. I still don't know how the app managed to grip his attention, but for the first couple of months that was all he played with. As I was struggling to get used to the iPad, I added other learning apps to his collection. Among them was Agnitus, which uses games to expose children to over 20 academic skills. Soon he could push a pentagon into the hole of the same shape and pick out a black grape from purple ones.

As my son became more engrossed in his apps, gaining an American accent in the process, I became a bit worried about how much of this was actually good for him. While I had no doubt he had learnt much more than he would have done through traditional means, there was also the fear that I was exposing him to too much, too early. I brought up the topic during an interaction with Suneet Singh Tuli, the man behind the very affordable Aakash tablets. The CEO of London-based DataWind, which

SANTOSH

produces wireless web access products, thinks the tablet can be a great academic tool as it delinks motor skills from learning. "Earlier children learnt alphabets only when they could write out the same, and this delayed the process by at least a couple of years." I could only agree with this logic, having seen it at work.

Some surveys show that over 81 per cent of toddlers have an online presence by the time they are two. Hundreds of developers have realised the potential of this and filled stores with apps for children of all age groups. I always think the price of an app is based on its utility. If that is any indicator, a large chunk of the apps for children are paid ones.

But with the proliferation o lets and smartphones, there ar lions of parents globally wonde they are bringing up a generati technology-addicted – or even w technology-dependent – kids. articles have been written an bates held to figure out the im The jury is still out.

However, though I am tha to technology for having taug son so much, I have started lin his access to devices. And not be they are bad for him, but becau needs to find time for other stuff his age should be engaging in. a recent debate on the topic, Int leading American semicondu chip maker, put out some ti "confused" parents. Here are a

- Assign a time when they (th dren) can access technology
- Give them variety with new
- If your child is exposed to tec ogy, make sure you know about it than he
- Make sure kids know ther things they are not supposed to
- Do not consider the dev babysitter

Apart from these rules, sure you always monitor your dren when they are handling a nected device. It takes just a cou clicks to go to YouTube and en ter stuff they aren't supposed t children accessing the web from it is better to restrict them to b ers such as KidZui, Pikluk KidSplorer that provide a san and safe web for them.

For coming generations, tec ogy is going to be an integral p life. Just teach the young ones h live in harmony with it. ◆

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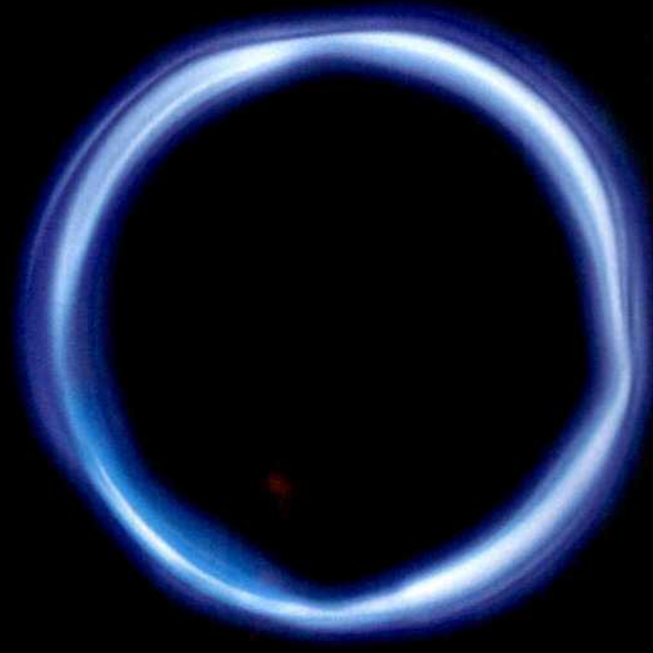

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Lunch With the Hefty

A compilation of 52 cleverly-written *Lunch with the* FT profiles promises to tickle your brain

Lunch With the FT 52 Classic Interviews
By Lionel Barber
Penguin/Portfolio
Pages: 338; Price: ₹799

There are few newspaper folios that get as much interest as *Lunch with the* FT, an interview-based narrative that started in 1994 in what is the continent's most popular financial daily today. So popular is the weekly series that about a year ago a 16-year-old acquaintance told me how he had hit upon "this cool series called *Lunch with the* FT" and had started regularly reading it. My 'do you know who publishes it' question was met with a blank stare. "Somewhere on the Internet. I spotted it on Twitter," he told me. There. Odd as it is, the *Lunch with the* FT series, based on interviews with "personalities and players who have shaped our times" published in the weekend pullout of *Financial Times*, is better known than the newspaper itself. At least among new audiences.

He may not agree with that hypothesis entirely but *Financial Times*'s editor Lionel Barber has done well in putting together 52 of the interviews in a book out earlier this summer.

Most of the profiles, if not all, have something or the other that stands out. Some of the nuggets that writers for *FT* dug out in their stories:

- Actor Michael Caine, as a child, used to be locked in a cupboard for the weekend by a couple looking after him during World War II.
- The fanatical and thorough genius of Amazon CEO Jeff Bezos is brilliantly captured in how he chases down the last walnut round his salad plate and later flips his grilled fish to squeeze a lemon on it.
- In CEO Michael O'Leary's profile, how obsessive his airline Ryanair is about cutting costs comes through in how it banned employees from charging their mobile phones at work to save on electricity bills. Or his threat to charge passengers to use the toilet on planes. And, how cheeky he can be: he sent *Everyday Maths for Dummies* to the UK advertising standards wonks after they pulled him up for claiming Ryanair's flights were faster than the Eurotrain.
- The anti-right stance of *The New York Times* columnist Paul Krugman is deliberate. "I've partly developed the attitude that if I don't get a whole lot of hysterical push-back, then I probably have wasted the space in the column," the Nobel Prize laureate tells his interviewer.
- Reed-like Prince Alwaleed, one of the world's wealthiest men, has one meal a day and finishes his day really late: he has dinner at 2 a.m. The Saudi prince lost nearly one-third his weight doing that.
- Actor-producer Angelina Jolie is true to her nomadic self when she says her dream is to "cross the Sahara. It takes 28 days... it would have to be on a camel".
- The statesman-like George Soros can suffer from temporary absent-mindedness. He doesn't remember if September 16, 1992, the day he bet against the British pound and made £1 billion, was a Wednesday or a Thursday. For the record, it was a Wednesday, called Black Wednesday by the British press.

Others in the book include rapper Sean 'P. Diddy' Combs, Asterix-Obelix co-creator Albert Uderzo, Apple co-founder Steve Wozniak, designers Domenico Dolce and Stefano Gabbana, cricketer Imran Khan, Saif Gaddhafi, son of Libyan leader Muammar Gaddafi (both are dead), ex-US president Jimmy Carter, German chancellor Angela Merkel, economist (and "Dr Doom") Nouriel Roubini, two-time US secretary of defence Donald Rumsfeld, and ex-South African president F.W. de Klerk.

My recommendation: Buy It. Read it. ◆

JOSEY PULIYENTHURUTHEL

The book, based on interviews with "personalities and players who have shaped our times" published in the weekend pullout of* Financial Times, *is better known than the newspaper itself

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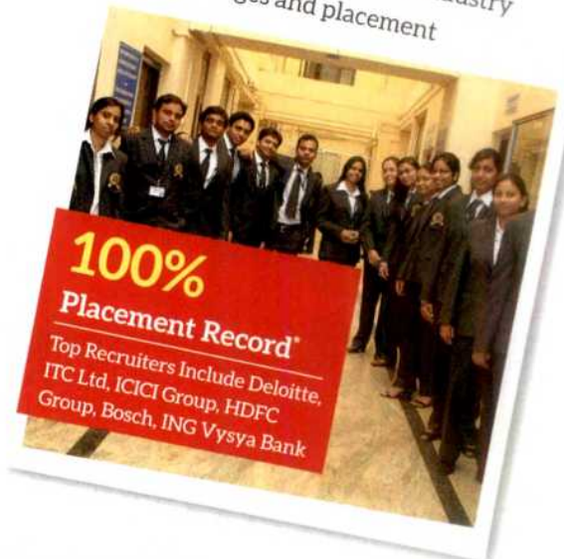

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Jürg Fedier
Global CEO, OC Oerlikon Management AG

Keeping Faith

Many global investors may be questioning the India story, but not **JÜRG FEDIER**, Global CEO of the $3.3 billion Swiss technology conglomerate OC Oerlikon Management AG. India currently contributes eight per cent to Oerlikon's global revenues. Fedier, who was in India for his company's annual board meet, held here for the first time, sees India, along with China, as his company's main growth churner. "We believe that by 2020, our India operations would be (worth) $1 billion," he says. "Whatever is happening in India, be it the currency depreciation or other economic troubles, are all short-term problems. India is capable of resolving them. We are confident India will again be back on growth path."

ANILESH S. MAHAJAN

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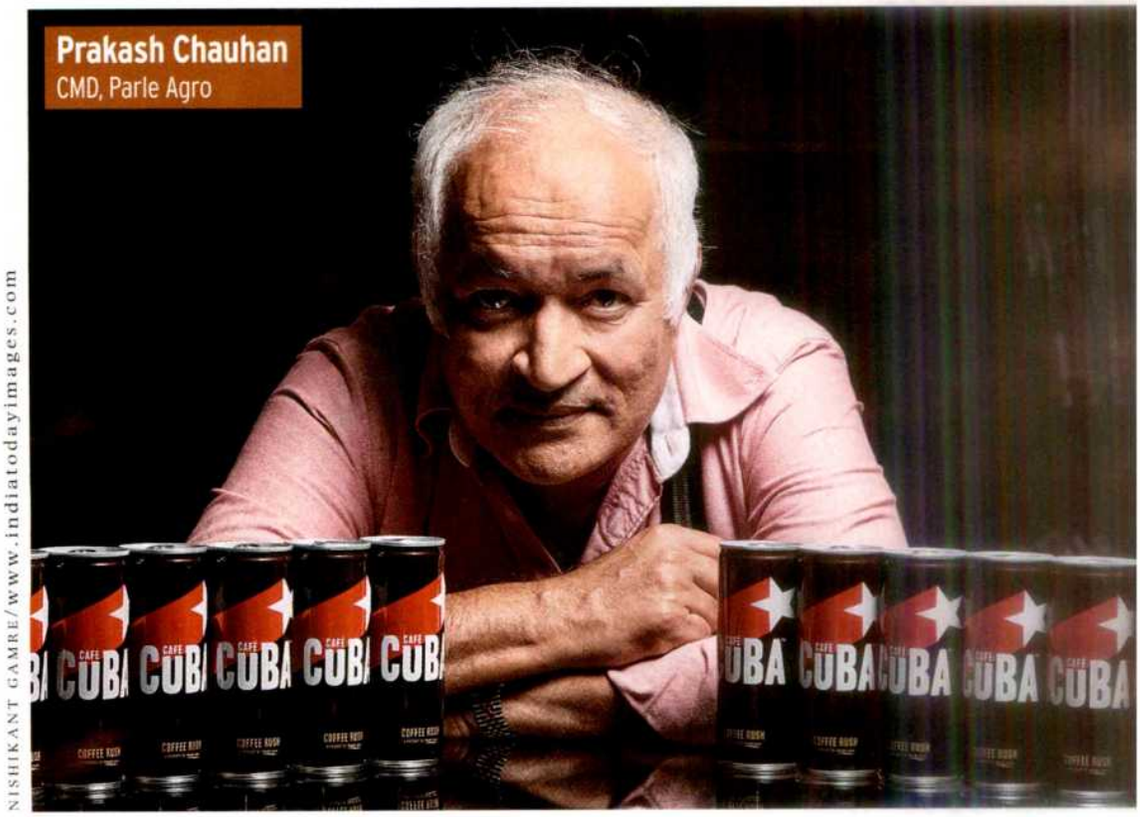

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Coffee with Fizz

It took **PRAKASH CHAUHAN**, Chairman and Managing Director, Parle Agro, 20 years to come up with a product which, he says, is one-up from the iconic cola brand, Thums Up. Chauhan sold Thums Up to The Coca-Cola Company way back in 1993, but has now re-entered the carbonated beverages market with Cafe Cuba, a coffee-flavoured carbonated beverage. "The new drink symbolises revolution and hence the name Cafe Cuba," says Chauhan, who has set himself an aggressive target of making Cafe Cuba a ₹1,000 crore brand in 18 to 24 months. "At Parle Agro, we don't like copying. Our brands have to be original and out-of-the-box," he adds.

Why the coffee flavour? "I wanted to create a product that fitted with a strong masculine personality, strong enough to compete with Thums Up, and a caffeine-based drink fitted the bill," he says. Cafe Cuba is probably the first coffee-flavoured carbonated drink in the world. A risky proposition, isn't it? "There is risk even in walking across the street. We have created a new category, and the advantage we have is that if the category takes off, sky is the limit, as we don't have competition," says a smiling Chauhan.

AJITA SHASHIDHAR.

Vishal Bali
Group CEO,
Fortis Healthcare

VIVAN MEHRA

Healthy Ambition

VISHAL BALI is reading *The Art of Procrastination: A Guide to Effective Dawdling, Lollygagging and Postponing*, but has not postponed his decision-making when it comes to taking an entrepreneurial plunge. Clarifying that it was his personal decision to resign as Group CEO of Gurgaon-based Fortis Healthcare, Bali, 45, says: "After spending nearly two and a half decades in the sector, I now feel the desire to do something new and entrepreneurial in health-care." He will, however, remain with Fortis till end-March 2014 "to enable a smooth transition". Bali, a long distance runner, who each year participates in the Bangalore Marathon, says he was still evaluating options on the form and structure his entrepreneurial endeavour will take and will have a greater clarity by early 2014.

E. KUMAR SHARMA

Liquor Is Quicker

ANAND KRIPALU, the former managing director of Cadbury India, is all set to take over as CEO of United Spirits Ltd from April next year. Kripalu's biggest contribution to Cadbury was not just delivering a consistent 30 per cent year-on-year growth, but also expanding the chocolate makers distribution network from about 400,000 outlets to more than 700,000. He helped sell chocolates in rural markets priced as low as ₹1, and also created a market for premium chocolates by launching high-end variants such as Cadbury Dairy Milk Silk and relaunching Bournville. Last year, much to his disappointment, he was redesignated as Cadbury's MD from his earlier position of India and South East Asia Head.

AJITA SHASHIDHAR

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Change Champ

BILL SCANNELL joined EMC Corp, in 1986, when it was just another technology start-up, with a workforce of 35. More than a quarter century later, EMC is a $21.7 billion giant, employing about 60,000 people. Scannell reveals that EMC reinvents itself every three years to adapt to emerging technology. This has helped it remain a leader in external storage systems, with 31.3 per cent of the market share. Scannell, who was in India recently, believes the country, which is jumping into new dimensions of cloud, big data and social computing, will play a vital role in EMC's growth.

SUNNY SEN

Bill Scannell
President, Global Sales and Customer Operations, EMC Corp

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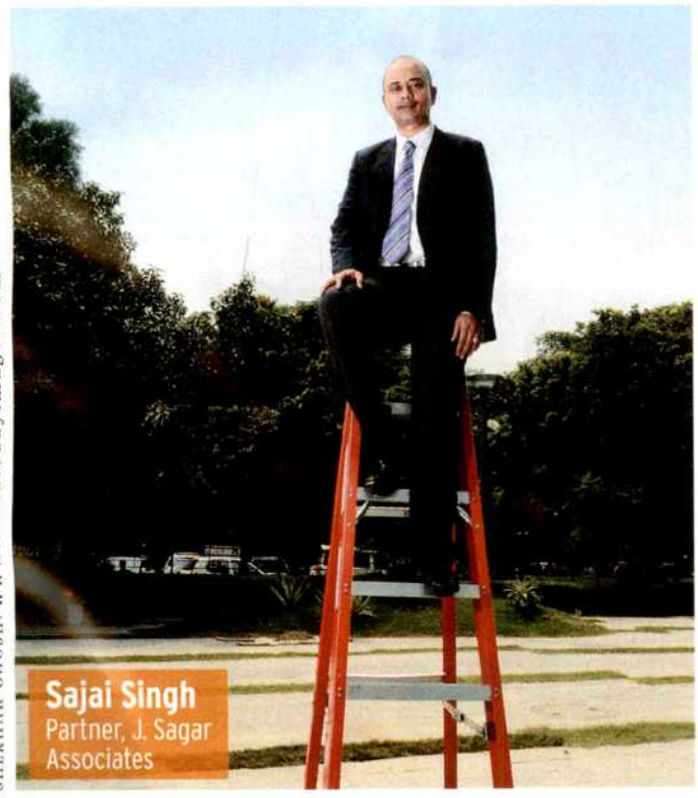

Sajai Singh
Partner, J. Sagar Associates

SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

Standing Tall

Yet another Indian is scaling global heights. **SAJAI SINGH**, Partner at J. Sagar Associates, will be the first Asian to head ITechLaw, the prestigious international technology law association, from next year. As the President of the think-tank, Singh will advise governments and regulators on issues such as data protection, intellectual property infringement in cloud computing, cyber crimes and security. So, what is his take on national security? What are the chances of India facing a WikiLeaks-like situation, the biggest exposure of official secrets in recent American history? "We have many Snowdens walking around us. There is no dearth of talent in India but the opportunities are missing," says Singh, whose inspiration is Bollywood, which, he says, is "the licence to dream that Indians have".

K. SAI SRINIVAS

SUDIPTA SEN
CEO & MD, SAS Institute (India)

My first role model
My father, who was a passionate doctor, a man who found joy by looking into the happy eyes of every patient he had cured. Today when I see through the eyes of my clients, whose business pain we have eased, it also gives me immense satisfaction

My first job
With an organisation called Computronics India, where I learnt my first lessons in the art and science of selling

My first boss
Ranjeet Limaye at Computronics India. He was a great leader, a mentor, and above all, a friend who helped me build the strong foundation needed to become a successful professional

My first promotion
At the age of 28, during my stint with International Data Management Ltd. I was promoted as the Regional Head for their operations in South India

My first disappointment
Losing a sizeable deal because I could not correctly understand the political environment in the client organisation

As told to N. Madhavan

NISHIKANT GAMRE/www.indiatodayimages.com

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